

A close-up photograph of a person's arm with a detailed tattoo, holding a glass mug of beer. The background is a blurred bar setting with warm lighting. The text is overlaid on the left side of the image.

CRAFT BEER TURNING ON THE EXPORT TAP



NEW ZEALAND
TRADE & ENTERPRISE
Te Taurapa Tūhono

KNOW
HOW

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About the authors:

Kieran Waelen – brought his passion for craft beer along with his experience of working in strategic roles in the US and UK, which happen to be two of the biggest craft beer markets in the world.

Justin Kimberley – almost as passionate about the craft industry as Kieran, he has extensive experience in consumer research both in retail and the New Zealand alcoholic beverage industry.

Introduction

Why we've written this

New Zealand Trade and Enterprise (NZTE) is New Zealand's international development agency. Our mission is to help New Zealand export businesses grow bigger, better, and faster.

NZTE's view is that craft beer is an area with significant export growth potential – which is why, along with the likes of agritech and mānuka honey, it is now one of our priority sectors.

Craft beer presents a creative, innovative way to use our resources – our high-quality hops, beautiful water, and terrific malt – creating a high value product, with a lower environmental impact. It's a product that really embodies New Zealand.

We know that brewers are first and foremost exactly that – brewers. You make amazing beers because it's what you're passionate about. At the same time, this means you often don't have the headspace to give your business and export the thought it probably needs, which is how this report came about.

Many brewers have come before you, made mistakes and learnt from them. Many brewers have made the exact same mistakes. What we're trying to do with this report is learn from those that have gone before, learn from experts in their fields, learn from those in export markets, and ultimately help you avoid those same mistakes in the future.

This would never have been possible without the incredible brewers who told us their war stories, and where they thought they needed help. There really are some excellent drops being brewed up and down the country.

How we have put this together

Unless otherwise specified all of the content of this report comes from frank discussions with 25 brewers from all over the country – from small tap houses up to our largest exporters. We also spoke to New Zealand Hops, Ministry for Primary Industries, business leaders, distributors in export markets, NZTE Business Development Managers offshore, and other industry experts. The Brewers Guild was great in providing us with support and direction, a sounding board and access to the wider industry.

We also tested some of our findings and assumptions with craft beer drinkers, surveying self-described craft beer drinkers across Australia, UK and New Zealand. We asked them about their craft beer purchasing behaviour, perceptions of New Zealand beer, how they define craft beer and what they're drinking at the moment. The findings from this research are sprinkled throughout this report, and if you want to get into the meat of it, in the final chapter.



Who this is for

First and foremost this has been written for brewers, and those running breweries.

To some extent we are trying to be all things to everybody which is why this is so long. So have a look at “What to read in this report” and see what stands out. There's a glossary in the back.

Enjoy.

What to read in this report

Use this to help you figure out what's going to be of most interest to you.

The New Zealand craft beer scene

Find out how the third wave of craft (and what that even means), along with new ventures into hops, are pushing the New Zealand craft beer scene into uncharted territory and creating new opportunities. Read about the growth of the industry and the challenges it's facing domestically and where the antidote to these challenges may lie. **Page 05**

Your export motivations

The export opportunities have changed massively since the second wave of craft beer – just being a premium craft beer from New Zealand is probably not enough anymore. Let's take a moment to check you're ready for export and there aren't actually domestic opportunities that you've overlooked. **Page 09**

So how should you approach export? What's your strategy?

Too many breweries are flicking pallets to China (and everywhere else) without any broader plan. If you want to understand why this is usually a bad idea, and the immense value of having a plan, read on. **Page 15**

So you're ready to export – choosing a market

The value of market research can't be understated, learn about its benefits and where you can find some awesome resources to do it yourself.

If unpasteurised fresh beer is your gig, Australia is your answer. It's got plenty of quirks worth knowing about, and you're going to be better off just picking one city to start with.

China – equal measures of opportunity and complexity – learn from Moe's experience in China, just how quickly the market is changing and where the new opportunities lie.

The US – it's huge and alluring but it's also going to be a really tough slog. We'll show you just how competitive, cheap and complex it is. **Page 21**

Testing your assumptions and getting to know the market

The most successful craft exporters have long standing rules about getting in market to understand it and potential customers. Read why it's important and how those that have skipped this step found themselves in a world of pain. **Page 31**

Getting your product to market

Shipping beer is tough, much tougher than wine, especially now that everyone's going on about freshness. Freight consolidation, beer collectives and shipping the right products are potential solutions that might be of interest. **Page 35**

Cold chain vs. ambient vs. brewing offshore

There's clearly two schools of thought when it comes to the cold chain and brewing in market, the pragmatists vs the purists – and you'd be surprised who's shipping their products ambient. We've tried to present both sides of the debate and how they may affect your product and your business. **Page 39**

Moving your product in-market

Picking the wrong distributor has set back many breweries significantly. Learn what you need to look out for when it comes to range, channels, validation, and how to build a successful relationship with distributors. **Page 43**

Getting people to buy your beer

You're probably not going to have the budget to put boots on the ground in a foreign market to tout your drop. Learn how awards and collabs have opened doors for other brewers, and how you can measure and leverage your brand equity. **Page 44**

Consumer research – appendix

Dive into the findings from our survey of 900 craft beer drinkers. It sets out to test specific assumptions that we heard frequently throughout our research. **Page 48**



New Zealand's craft beer scene – a state of play

What it means to be a craft brewery

A few years into the third wave of craft beer in New Zealand, no one has an exact picture of the number of craft breweries in New Zealand, let alone a definition of what craft is, or even a definition of what constitutes a brewery anymore (but we have asked consumers what they think it means).

As we have moved from 130 breweries in 2016 to (most estimates being) over 260 craft breweries in 2018, a new type of brewer has emerged – the small-scale contract brewer. Estimates put the number of contract only brands as high as one third of the entire craft market. You hear about it when a new craft brand comes onto the scene – but they are pretty quiet when they stop.

The craft industry is managing double digit value growth – but most of it is coming from new entrants, according to Martin Craig at Beertown.nz. The growth rate of new breweries has been hovering around 20% for the past six or seven years – but the average output of the breweries has only been growing about 3%.

Brewers are encouraging new entrants to the industry by selling their excess capacity to contract brands – and so increasing their own competition. For many brewers it is much simpler to get cash for their excess capacity than get involved in job interviews, PAYE, performance reviews and the very hard job of selling and distributing lots of beer. Some of the consequences of this have been:

- Barriers to entry are reduced because you can buy capacity rather than invest in a plant where you have to factor in costs of setting up a brewery.
- The number of craft brands is increasing at a faster rate than the volume of craft beer.
- Increased competition is pulling down the price of craft beer.
- Increasing pressure for the already scant shelf space in retail and for free taps.

It makes you wonder: do these small scale contract brewers constitute the fourth wave, or will the fourth wave be the return to hyper-localised, decentralised brew pubs?



.....
The First Wave of Craft Beer – The Mac's and Emerson's of this world who emerged in the 80's and early 90's as a counter to the "lifeless ales".

The Second Wave of Craft Beer – The Moa's, Yeastie Boys, Epic and Tuataras – the brewers who introduced the nation to hop-forward styles of beer and cemented New Zealand as the forefront of craft.

The Third Wave of Craft Beer – The Garage Projects, ParrotDogs, and Behemoths who through constant innovation, have pushed the boundaries of what we consider beer with new flavours, styles and branding.
.....



In New Zealand, because of the Sale and Supply of Alcohol Act, retailers are strictly limited in the amount of floor area they can devote to alcohol. This means the facings cannot (realistically) increase as the number of brands and products increase. To get on the supermarket shelf you have to kick another bottle off.

Our domestic future

There seems to be pretty wide consensus that a return to hyper-localisation will provide a bright future for brewers – where every suburb has a brew house that serves just the local area. It's a model that brings clear benefits to the brewer – higher margins, lower business complexity, and the headspace to be passionate and innovative.

International operators are now offering beer tours of New Zealand, a sign beer tourism is starting to slowly grow, and more brewers with or without brew pubs are looking at how they can service the tourism market – from focusing on selling to tourism venues, to making it easier for tourists to buy online once they're back home. It's said that “wine travels to people and people travel to beer” – is the future of exporting beer exporting it in the bellies of tourists?

Established brewers are confident that demand for new styles and brands of craft beer is going to become more mainstream. So the curious buying

behaviour of ‘craft geeks’ is only going to become more widespread – where the drive for new, new, new leads to almost an anti-loyalty. In saying this, the ‘geeks’ form a relatively small cohort of the craftie crowd. Our research shows only 6% of craft beer drinkers almost always try something new. While this seems a small percentage, this is as an opportunity for a new brewer to get in the hands of a consumer.

Brewers who want widespread distribution are going to need to be agile in developing new products and recipes. Independent bars will start to have an advantage over tied venues because they can better cater to the increasing demand for variety and newness – so hopefully we see new bars with more free taps opening up, or a change to the tap model. And barriers to open a new bar will be reduced because buyers are keen to support a brand they do not recognise.



Although the consensus among brewers exporting to Australia is that Australia is rapidly closing the craft gap with New Zealand, the same can't be said about Auckland and Wellington. The Te Aro fishbowl still retains its position as the epicentre of the craft industry in New Zealand.



We asked 900 craft beer drinkers how they would define craft beer. Independence, uniqueness and small batches were the most common themes talked about. Interestingly there was a big generational difference. Older drinkers more frequently talked about the process and how it's crafted, whereas for younger drinkers it was more about the taste and doing unique things.



Mixed sixes have very rapidly gone mainstream, with a number of breweries now focusing their future domestic strategy around them – despite the absolute nightmare they are for the packing line. Whilst still being a small but growing segment, brewers who have focused on mixed sixes now see up to 50% of sales coming from the format. Consumers love them, brewers hate them.



As of July 2018, the New Zealand Style Pilsner was officially sanctioned as a new provisional style by the Beer Judge Certification Program (BJCP). It was one of only four new styles added along with the very popular New England Pale Ale – which gives an indication of the recognition.

The role of hops

From the first wave through to the fourth, a key part of the New Zealand craft beer scene has always been around hops. We just love to brew and drink heavily hopped-up beers.

With the global demand for New Zealand grown hops having increased significantly in recent years, getting their hands on New Zealand hops has been a real challenge for Kiwi brewers – particularly those who don't have the cash flow to contract grow with NZ Hops.

Things are changing though. A new cross-industry partnership – Hapi Research – has cropped up recently between Garage Project, MPI, Freestyle Farms and Plant & Food Research. This will be a game changer for the craft beer industry. New growers are chomping at the bit to plant hops in areas outside of Motueka. This new partnership will enable them to do this.

Hapi's research into new hop breeds will look to create the 'sauvignon blanc' of hops, exploiting and telling the story around a New Zealand terroir. It will also take a brewer-led approach, where hop breeding will be done hand-in-hand with the marketplace. If a brewer wants to brew a beer with single block hops, this new partnership enables them to do so. If a brewer knows that a fruity, tropical hop is the next big trend, they can then work on that with the researchers.

The whole goal of this new partnership is to open things right up. To move away from just the homogenised hops that are produced for large scale breweries. To help the smaller, innovative brewers to access the hops they want, when they want – enabling New Zealand brewers to push the boundaries of innovation even further than where they currently are.

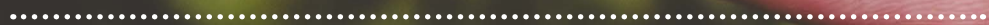
For more info on this, check out the Hapi website (<https://hapi.co.nz>).

New Zealand Style Pilsner: “A pale, dry, golden-coloured, cleanly-fermented beer showcasing the characteristic tropical, citrusy, fruity, grassy New Zealand-type hops. Medium body, soft mouthfeel, and smooth palate and finish, with a neutral to bready malt base provide the support for this very drinkable, refreshing, hop-forward beer.” – Beer Judge Certification Program (BJCP) Style Guidelines.



“

We are positioned as a super premium New Zealand beer - our selling point is New Zealand hops, New Zealand water in small batches but on that [messaging] alone it's become a tougher sell.



INDEPENDENT CRAFT BREWER

Your export motivations

What you're all doing as brewers and the impact you're having on the way Kiwis drink beer is pretty awesome. As an industry you've massively raised the bar for what used to be a one-dimensional product, by focusing on quality, variety and unique drinking experience. Who would have thought the average Kiwi would rather pick savouring three beers over grabbing a 12-pack. You're also directly employing around 2000 people, and your ability to contribute to the New Zealand economy comes down to your ability to remain suitable and viable – and this is where we suggest some depth of thinking upfront would be really useful.

Growing a small to medium sized brewery can seem tough – it is – whether it's a lack of free taps, the constant fight for shelf space, or the struggle to break out of a local area and negotiate deals for nationwide distribution. In the world of craft beer, New Zealand is a relatively competitive and mature market.

In the face of this, export looks pretty rosy, especially to parts of Asia where we have extensive free trade agreements. And export opportunities abound, as we will show you in this report – but at the same time, as a few words from the wise will tell you, the reality is that export “is not the golden goose”.

You've got to realise that there are 20 other brands from New Zealand alone going into that market you're also targeting.

We want to help you make sure you're ready for export so that when you do it, it becomes a sustainable business building activity. And if you're already ready, we want you to consciously make choices that move you from sending a few pallets here and there to being known in a market as the best craft beer.

The export opportunities have changed

Many players in the second wave of New Zealand craft beer, from Moa to Yeastie Boys, found success in export. They did so in a different global craft beer industry. In the late 2000s to early 2010s, the US was arguably the only international market much further ahead than New Zealand. Few other countries had a mainstream beer industry producing such homogenous lagers that it actually drove quality and innovation from craft brewers.

The second wave unintentionally built a strong international following around New Zealand beer. A strong driver in this was the reputation of New Zealand hops, really unique innovations in styles that broke out from the mould, and undoubtedly a focus on quality. In a relatively uncrowded market New Zealand breweries stood out both for their products and provenance. They could go to market and sell on the New Zealand story and their premium positioning.

With 7000 breweries in the US, 2000 in the UK, and at least 600 in Australia with another two opening in Australia every week, craft breweries now face an entirely different global market. Unfortunately it is one where you can no longer opportunistically send pallets to a market, relying on Brand New Zealand and a premium position to differentiate and sell your product in market. Every brewery thinks they are producing a premium high quality beer.

Brewers that are finding export success are the ones finding new ways to differentiate their product. This is through the creation of market specific products like Moa's deer velvet beer in China, or Garage Project's focus on innovation and staying at the very tip of the wave. Achieving this kind of success requires a significant amount of focus and planning – and a very high level of export readiness.



If you want a tool to work out just how many other brewers are going into a market, check out NZTE's Export Essentials Guide: Understanding your in-market competitors – you can find it at: goo.gl/vT18cN

Do you know who you want to be?

The tail of breweries is very long in New Zealand. We have a lot of small tap houses to micro-breweries - many of whom are profitable - and given the passion most brewers have, are delivering a comfortable lifestyle. The reality is that export, as small as sending a few pallets to one market, can seriously challenge the positive aspects of the lifestyle.

Before you begin the export journey, ask yourself why you want to grow, and whether export is the answer to achieving that. It's easy to get carried away thinking of your beer's potential in other countries even though the real opportunities may be closer to home.



Yeastie Boys found success with Brand New Zealand - but it resonated more strongly when the UK craft scene was less mature.

.....
TODD NICOLSON, DIRECTOR OF BEER,
NEW ZEALAND BEER COLLECTIVE



Is export right for you?

Before you jump headfirst into export, or even dabble with a bit on the side, you really need to stop and have a think about whether you're ready for it. Exporting beer is not easy.

Like many New Zealand businesses, breweries both look at less developed and familiar markets as opportunities – Australia is a prime example of the latter. But if you're struggling to get into retail or hold your place on a supermarket shelf here, why would you not expect to face the exact same struggles in Australia? Not only will you be up against all of the Australian domestic brands (with the small brewery tax break), but also New Zealand exporters.

One of the main indicators of whether you will succeed at exporting is your domestic business capability. Fundamental to that capability is whether you truly understand how your business works. You brew great beer – that's why you're in this industry – but to grow you need to make sure you can brew a great business too.

A simple test is whether you understand the levers that drive your business. Can you easily articulate what the 10 most important levers in your business are? These are things that you know when they're moving in the right direction, your business is too.

If you know what the levers are, do you know how they are performing? To know how they are performing you need to understand how to capture measurements about them, and then make those measurements visible to the business.

Equally important is understanding when it's time to move from covering fixed costs to making gross profit. Where in the cycle of your business do you move from covering fixed costs to making purely gross profit? Do you know how far through the year it is until your fixed costs are covered? If you have the insight to know you make all of your money in say November and December, it's another indicator that you may have the foundations to succeed at export.



If you've got your stuff sorted you will have built-in rules around pricing into your distribution agreements.



MICHAEL MOYNAHAN, BEACHHEADS ADVISOR

Recommendation

If you can't answer either of those questions, it's probably worth looking at finding the services of someone that can.

All breweries: Check out the Strategyzer website for free resources on how to build out your business model, using the Business Model canvas. This is a great way to capture your business on a page. They also offer value proposition canvas materials which can help you to articulate your unique selling proposition.

NZTE runs Export Essentials Workshops that can help you (or key people in your team) get up to speed on the fundamentals of export. Check it out here: exportessentials.nz.

For now take a look at our guide on creating an export plan template from the program here goo.gl/RfDRs6

And if you end up thinking you might want to become an NZTE customer, and want to learn more about what support is available, firstly check out our website nzte.govt.nz, then contact our customer advisor team on 0800 555 881, or send them an email at exporthelp@nzte.govt.nz.

If you're an existing NZTE customer, talk to your customer manager about the different ways we can help with planning and strategy, depending on where you are in your export journey.

GARAGE PROJECT

ARO ST
WELLINGTON

Garage Projects Wild Workshop, where they experiment with the likes of cask ageing and wild yeasts.

Case Study

Garage Project's Marion Street Wild Workshop

At Garage Project we've always liked taking the path less travelled. You can end up in some pretty interesting places... although there is always the chance you'll get lost on the way.

We started fermenting at our Wild Workshop about three years ago. Inspired by trips to Belgium, and in particular the Cantillon Brewery in Brussels, the idea of the Wild Workshop was to create a space where we were free to experiment with unusual forms of yeasts and bacteria – strains we'd never dare use at our 'clean site' in Aro.

Our projects at the Workshop have been many and varied, ranging from highly regimented experimental work, such as our native yeast programme with Auckland University and Callaghan Innovation, to far more 'impulsive' brews based on a 'suck it and see' approach. We have a range of 'quick' fermenting beers (which still often take over three months to ferment), our wildflower beers made by inoculating wort with the wild yeasts found on wild foraged flowers, our spontaneous 'lambic' programme using our purpose built coolship, as well as a whole range of beers we've fermented using all sorts of found and gifted mixed strains, all aged in a mixture of oak foudres and barrels. Add to this the Crushed natural

wines and our recent cider projects and you get a sense of the variety of products and projects going on at the Workshop.

Failure is always an option when you try something new. From the start we've accepted that not every project will work out and we have had to put more than one beer down the drain. But amongst it all there have been triumphs as well, and after three years we're now beginning to be able to release a steady stream of very different and interesting beers. The reality is, of course, that the market for these kind of beers (and wines) is still small and will probably remain relatively niche. But products like this give a totally unique offering which builds the narrative of Garage Project. They also happen to last well in package and often have a distinctive New Zealand 'terroir' making them attractive for export. What is perhaps more important is that the learnings from this kind of experimentation are useful across all our brewing projects. And, even more importantly, it's fun. Who knows where it will all end up, or what might come out of it? But in the end, as they say, it's the journey, not the destination.

Pete Gillespie, Co-Founder, Garage Project



Failure is always an option when you try something new. From the start we've accepted that not every project will work out and we have had to put more than one beer down the drain.

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PETE GILLESPIE - CO-FOUNDER
GARAGE PROJECT



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If you're going to export, you've got to look at it as a long term play. Unless you've got the thought that this person or distributor could grow into a significant player, then it's not worth your time.

.....
JASON DELLACA, MANAGING DIRECTOR, BRAND HOUSE (RENAISSANCE)

So how should you approach export? What's your strategy?

So you've decided export is the next step. Awesome.

Opportunistic export and having a plan

The first craft beer exports are almost always driven by an external factor. It could be having a friend in market who wants to stock it at their hotel, or an inquiry from a plucky distributor – rarely do brewers start exporting because it's part of a long-term plan.

And flicking a few pallets to China might help you get in the black for a month – but you need to be aware that it comes at a cost. Of the 25 exporting brewers we have spoken to, very rarely do opportunistic sales turn into anything sustainable.



It's not just about will someone take our product today – it's about sustainability.

.....

TOM GREALLY, CEO, GARAGE PROJECT

The problems with opportunistic export

Having a plan

Opportunism is at its worst when you're operating without any kind of plan. If you're executing on a plan that you're at least somewhat in control of, you are better equipped to forecast all of the resources that you need – be that malt, staffing, or your own time.

If you have developed a plan and part of that plan is to enter the Chinese market in two years, and then an opportunity comes up to ship a pallet to China, sending that pallet is probably a good idea – because it fits within a broader strategy.

And if you're thinking about that pallet within a broader plan, you're much more likely to look at how you can learn from that pallet and use it to validate and solidify that plan.

Diluting focus

Opportunism tends to go wide and shallow and as a result you don't learn much, if anything. You can't apply the same piece of information that you used to respond to China when you then respond to India. There's every chance you end up stuck in 'groundhog day' – expending effort and resource to reproduce and reengineer things for marginal returns.

Think about how much more effective you would be if you could continually re-use everything you learnt from or created for a market. Being unable to standardise export processes results in inefficient use of resource.

Like most small businesses, most craft breweries have limited resources – when you're using that limited resource to fill your order book with what you've got in front of you, it doesn't allow you to stop and think about what else you could have done. You have to stop and ask yourself what the opportunity cost of this decision is. What else could you have learnt about a market if you took a moment to step back and give it a little more focus?

Learn through opportunism

For opportunism to be a really effective way to learn about a market you know nothing about, you need to have identified where your knowledge gaps are, and what the assumptions are that you currently have to work from.

For example, it could be as simple as ensuring that your distributor will provide insights as part of the deal. Where did your product sell? How well did it sell? Which consumers bought it? At what price?

Another example is if you're going to put a whole lot of beers into Hong Kong, have a plan to get insight into your customers. Could you run a competition on the bottles that lets you better understand some insight into the customer that's going to enable you to make smarter decisions in the future?

Refocusing growth

Some of the most successful craft exporters we spoke to are those who have identified that poorly or entirely unplanned exports needed to be reined in. Doing so enabled them to focus their efforts domestically in order to ensure they had the systems and processes in place to plan and execute a successful and sustainable export strategy.

Forecasting

Sustainable export enables you to accurately forecast and resource. Opportunism by nature is complicated to resource – you either need a big expensive stock holding or really lean manufacturing.

Forecasting and planning creates incredible efficiencies. If you can get your team operating as efficiently as possible with their everyday stuff, then when the unplanned but somewhat inevitable happens – a boiler breaks down, or a bottling line is stuffed – you and your staff have the capacity to deal with it.

If you have no capacity to do the day to day things, everything becomes a crisis.

Brand damage

Having heard enough stories of dusty expired beers being sold at clearance prices, it's remarkable how many breweries have no idea where their product ends up after being shipped out of New Zealand. This is what happens when you're just sending product offshore for a quick buck. It's a lot easier to ruin a brand than it is to rebuild one.

There is growing concern within the industry that the reputation and positioning of New Zealand beers overseas is at risk due to poor quality and heavily discounted products.



Market Research can be a great tool to gain some focus. If you're an NZTE customer, talk to your Customer Manager about your research needs and whether the market research service is right for you.

You can also check out our guide to Understanding your Market Research Requirements: goo.gl/arziT9



Businesses get burnt when they don't have a clear view of their capability and capacity – check out our guide and get a view of yours: goo.gl/JjVxqK

Take some time to understand what the financial implications of exporting will be by using our guide: Understanding your International Funding Options: goo.gl/g9L2U6



You have to do domestic first – don't be arrogant and think you can do both at the same – you don't have the resourcing to focus on two parallel streams of effort.



STEVE SIMMS, BIRKENHEAD BREWING COMPANY

Overestimating your margins

Let's say you receive an approach from someone in say, Vietnam, for an order for their hotel chain. You put a reasonable margin on it, they readily agree, so this seems like a good sale, and in the back of your mind you're hoping it might turn into something.

Having never shipped to Vietnam, you realise you need to work out what it's going to need to clear customs. Are you going to need new labelling? Does it need to be in Vietnamese? Who's going to translate that? This is your first shipment to the tropics so you wonder how the beer's going to handle the heat. Is there anything you need to think about when it comes to packing it?

All of a sudden, you've spent three days getting a pallet ready to ship, and if you took a moment to look back, all of that margin's gone. If you'd spent three days focused on selling domestically you probably would have made more.

It's easy to overestimate your margins and underestimate the effort you put in when it comes to opportunistic export sales.





Case Study

Raising Capital – A word from Snowball Effect

Raising capital is necessary to achieve the growth aspirations of any business, and like all competitive industries, breweries will need to continually invest in growth. Capital is required for everything from marketing expenditure, expanding sales teams, expanding production capacity, through to new product development and expansion into new markets. As breweries grow, most will find they are spending more than they're earning, generating a cash flow shortfall that needs to be covered with capital. There are various capital options available to fund these shortfalls, and understanding how to raise the right capital is an important driver of long-term success.

Knowing who to talk to is the first step to getting underway with a capital raise, and companies should always be seeking relevant capability from investors in addition to the capital they provide. Importantly, breweries must first figure out what capital and capabilities they need in order to know where to ask for it. It is important to have a clear strategic plan in place, and to seek help to formulate this plan as required. Strategic planning informs what resources are required to achieve growth, and therefore what capital is required to fund these resources. Identifying partners and professional service providers that can help guide you to reach the right investors is important, and engaging these partners

and service providers early is crucial. Raising capital is time-consuming and a distraction from operating the core business. Speak to your peers who have successfully raised capital before and ask for recommendations of quality partners to help you execute your capital raise.

Outside of investment from family and friends, and before a brewery is at a stage where it is attractive to private equity investment or acquisition by one of the large trade players, breweries will either be looking for strategic local or offshore investment that offers not only capital, but capability in the form of supply, manufacturing, product development, distribution or advisory expertise. A common source of funding for breweries in the US, UK, Australia and New Zealand is equity crowdfunding, whereby a brewery attracts capital from its consumer base and the wider public. The primary benefits of crowdfunding capital relate to publicity and the fact that the brewery gains a number of consumer advocates as shareholders who are powerful ambassadors that help to grow the brand. It is important to note that companies looking to raise capital via an equity crowdfunding platform such as Snowball Effect can have the best of both worlds, by having larger strategic investors who add specific capabilities invest alongside smaller, more passive investors.

The key to successfully raising capital from any source is preparation. Companies must first identify the right partners and professional service providers to help prepare them to raise capital and to get them in front of the right investors. The time that companies spend developing their strategic plans and developing a strong information pack is invaluable when it comes to approaching investors. The information preparation phase helps companies solidify their plans and make decisions regarding how fresh capital can help them grow. Companies who are well prepared are more attractive investment propositions, are able to better support their valuation, and therefore have more success in raising funds.

Ultimately investors are looking to invest in brands that have a strong understanding of their consumers and target markets, and brands that are able to differentiate themselves from the rest of the market. Breweries need to be able to convey a clear understanding of their growth strategy, who their key partners are, and why they will be successful. Investors will look for evidence of a company's ability to achieve their growth plans by looking at sales track record and execution of their marketing strategies in target markets. Investors need to gain an understanding of your

key markets, your current penetration of these markets, and the future growth potential of target markets. Importantly, investors are looking to invest in companies that will eventually deliver a return on their investment. For craft breweries, the likely path to investor returns is through a trade sale to a larger player. Breweries must therefore have a strong understanding of where they need to get to in order to make themselves an attractive acquisition target, who their likely acquirers may be, and why these acquirers are likely to buy them. Being able to clearly articulate this to potential investors is crucial.

One of the most important factors of a financial return for investors is the valuation put on the business when they invest. It is a common mistake for breweries to try to raise capital at the highest valuation possible in order to avoid as much dilution of the founder's shareholding. In order to reach the scale required to make yourself an attractive acquisition target, a company will likely require multiple rounds of capital. The goal should always be to get the right investors on board that can offer capabilities beyond their capital and who will continue to support the business with additional capital as it grows. Strategic investors are generally more price-sensitive, and will closely consider the valuation of a company before investing. Breweries

need to be wary of raising capital at an overinflated valuation as this can often lead to headaches down the track by making it hard to raise additional capital in the future. Less price-sensitive investors are unlikely to stump up for the larger amounts of capital that are needed down the track if the business is going well. There are also implications when trying to exit the business, as there is an expectation from shareholders that the business will be sold for a much higher valuation than it is worth on paper. Raising capital at a sensible valuation that optimises the future return for both the founders and investors is always the best course of action. The financial return comes once a sale of the business is achieved, and owning a smaller piece of a much larger pie is always a better outcome.

Successfully raising capital to achieve growth aspirations is time-consuming and requires substantial preparation work. Engaging the right partners early on to help prepare well and to reach the right investors is essential to ensuring success.

**Bill O'Boyle, Director, Private Capital,
Snowball Effect**



So you're ready to export – choosing a market

Market research

Market research is possibly the most important thing you can do when you're trying to find a new country to send your beer.

It enables you to narrow and enhance your focus like picking a country or even just a city, or maybe even just a couple of suburbs. You can estimate the size of the opportunity – how prevalent is craft, and how quickly is it growing? Understand the impact of tariffs and excise on your pricing and competitiveness – like not shipping kegs under 50 litres to Australia. And start to understand your potential customer in the market – what are their tastes like, and where do they drink? The bottom line is that all of this helps you reduce the risk of making expensive mistakes.

Often there'll be things you can't easily find out about a country, so you're going to have to assume a few things. Just listing out what your assumptions are is a good start of looking for ways to test them. It could be as simple as realising you have a friend over there who could go and check a few things out in bars. If you do flick a pallet somewhere, think about how you could use that shipment to learn more about a market.

If you're an NZTE customer you can talk to your customer manager about your research needs and which of our Market Research services can best help do the heavy lifting for you.

What can be hard to understand about a market is some of its quirks and intricacies, which is why we've decided to profile Australia, China and the US. Rather than tell you the size of the opportunities, we have tried to highlight some of the stuff you really only hear on the ground.

Australia

They're catching up

With 585 breweries now open, and two new ones opening every week, the Australian craft scene has changed. Only a year or two ago Australia was considered at least five years behind New Zealand. However the industry consensus now is the gap has been closed to more like two. Like New Zealand, a lot of the growth in breweries is coming from contract brewers.

The view of Australia being behind New Zealand is also seen in our survey data, with Australian consumers having a higher perception of New Zealand craft beer than New Zealanders do of Australian craft beer.



It's actually pretty easy to do the basics yourself and NZTE has some great free resources anyone can use. Download and have a read of 'Understanding your Market Research Requirements' to understand what kind of questions you can hope to answer – you can get it here goo.gl/ng5Pik.

Then when it comes time to get stuck in, go here goo.gl/FhtFNW and download the 'Market Research tool'. It will help you find sources for the key numbers you need, and build a market and competitor comparison.

Although Australia may have caught up, those on the ground say Australian craft consumers still have somewhat of a conformist taste profile. Outside of a perhaps a few suburbs in Melbourne, you don't see many Australian producers creating really innovative, experimental beers like you do all over New Zealand. "Craft beer is way more bog standard in Australia". You can see this in the fact that mixed sixes are next to non-existent in the market - that experimental nature hasn't gone mainstream, probably to the relief of those on the packing line.

One area where Australia is ahead of New Zealand is the move towards cans. Like New Zealand, beer in cans was traditionally viewed as being an inferior product and cheaper than stubbies. Australian craft brewers have really led the resurgence and premiumisation of cans, pitched as mini kegs. It would have been unheard of for a bar to serve beer in cans in Australia just a few years ago. Now cans, along with the promotion of freshness commonplace where craft is sold, are spilling over into mainstream venues (i.e. Carlton Draft).

Regional differences

Significant regional differences exist within Australia. Brew bars have popped up all over Sydney, and for years Melbourne has been littered

with specialist craft retailers. But if you were going to sell your beers in Brisbane, there are less than a handful of suburbs you would want to target.

However in every market beer sales are still heavily dominated by Woolworths and Coles - who sell 78% of all retailer liquor between their subsidiaries EDG and Coles Liquor.

Like any market they're parochial - we are in New Zealand as well, although our data indicates Australians are more so. Which may be why the only New Zealand brands you really see dialing up their origin are the likes of NZ Pure.

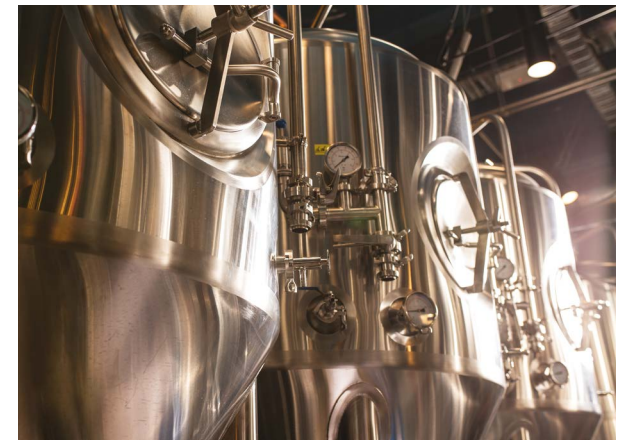
Pricing and excise

Next year the rules for excise on kegs under 48L will change to bring them in line with the over 50L rate (currently it's 1.5 x the over 50L rate). This will make smaller kegs, like one ways, much more economical to send. While some in the Australian industry are celebrating the move, others are up in arms as they see the increased threat of one way kegs from international brewers. Anecdotally the view of those with their nose to the Australian ground believe the number of American craft brewers has already increased substantially.

Every market is price sensitive, but for Australia, with a weird lack of 12-packs (we couldn't find a definitive answer to why they don't exist) it's particularly important to get into the sub-A\$20 range for a six-pack if you're going after the mainstream craft market. A few brands that were above this market, and cut margins to move into it, have seen sales increase significantly.

The opportunity

If you're all about your unpasteurised fresh beer and the condition it arrives in market - Australia is your answer. It's the only place you have a chance of a door to door cold chain from New Zealand in a reasonable space of time.



China

Besides Australia, more craft breweries we spoke to are giving or considering giving China a crack than any other country. With an enormous population, burgeoning middle class, high affinity for New Zealand food and beverage and a comprehensive free trade agreement (FTA), why wouldn't you see a massive opportunity? And we agree, the opportunity in China is enormous – but more so than anywhere else, to be successful you need to go in with your eyes wide open and a clear idea of what you want to achieve.

Tier 1, 2 and 3 Cities

When Kiwis think of Chinese cities we think of Shanghai, Beijing, and maybe Guangzhou. In fact China has 17 cities with populations exceeding 10 million, and another 38 with more than two million people.

China has an informal but widely used classification system for its largest cities, classifying them as Tier 1, 2 or 3.

Tier 1 cities refers to Beijing, Shanghai, Guangzhou, Shenzhen – these are the megacities of China.

Tier 2 cities are roughly the next 20 largest cities like Chengdu, Chongqing, Nanning, Hangzhou and Xi'an.



Case Study

Moa in Tier 2 and 3 Cities

The second-tier cities of China are nothing to balk at. For example, the second-tier city of Chengdu has over 80 craft beer bars alone. In fact, Moa's best-selling cities are second tier cities – Chengdu, Chongqing, Wuhan, Qingdao, Changsha – which all have huge beer markets. There are plenty of wealthy millennials looking to splash money on imported craft beer in cities all across China.

In lower-tier cities, educating consumers about craft beer can be difficult, but it is difficult anywhere – even in New Zealand. In a relatively mature craft beer market like New Zealand, how many Kiwis on the street could explain the difference between a pale ale and an IPA? An XPA and an APA? Not many.

Generally, most people in China have not heard of the term “craft beer”, however you want to define it. Moa sees this as a huge opportunity rather than as a barrier. The idea of a traditionally quite bland product such as beer being re-invented as a creative, unique, and premium product is appealing to a generation looking to express their individuality and reject the mainstream brands their parents consume. The higher price is not usually a deterrent. Like in most of China, in Tier 2 and 3 cities you see people actively searching out opportunities to show their wealth. China import trends seem to support this with an overall slowdown in beer consumption but growing premiumisation.

Right now, sweeter Belgian style wheat beers are the most popular style of craft beer. Many people think that heavily hopped beers are too bitter for the wider Chinese palate. In China, people were saying similar things about coffee 20 years ago. “Chinese don't drink coffee, they drink tea – coffee is too bitter”. Now Starbucks is opening a store in China every 18 hours. The cultural shift is well underway. Behind the big brands, there are now opportunities for niche little cafés to pop up and promote single origin Ethiopian beans.

Beer is on a similar trajectory. Craft brewers in China rely to some extent on the likes of Anheuser-Busch InBev coming in and pouring money into promoting beers like their Goose Island IPA. They open branded bars and aggressively invest in setting up taps in popular restaurants. Even Tsingtao has released an IPA that Moa describes as poor. This expands the collective consciousness around craft beer and also the market size, especially in second and third Tier cities where growing numbers of Chinese middle class consumers live. Moa believes this can be good in the long term for the little New Zealand companies with very limited to no marketing budgets. Eventually people get tired of drinking the same big brands and seek out alternative flavours.

In China, New Zealand companies should put forward an aggressively unique and interesting flavoured offering to get consumers attention. They should push hard into the cracks left behind by the big guys rather than thinking about how to compete with them for taps and shelf space. Another IPA, no matter how great it tastes (and we all know NZ produce some of the best), probably won't cut it these days. Moa is attempting to do this by focussing on our NZ origin story with products like our wine makers series, and on the more extreme end, our deer velvet beer! Eventually people will get tired of drinking frappuccinos and will one day try a flat white.



Any product in China is 20 years behind but takes only 20 months to catch up.

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PARLEY REYNOLDS
ASIA MARKET MANAGER, MOA

Pace of change

Brewers with experience in China remarked at the speed which Chinese consumers adopt trends, and the impact that has to have on your strategy.

In the space of only a couple of years, consumers in Tier 1 cities have transitioned from paying \$1 for a six pack, to \$1 a bottle for a Heineken, to \$2 a bottle for specialist European beers, to \$2-3 a bottle for craft beer.

Within Tier 2 and 3 cities, the pace of change can be even faster, following the trends in Tier 1. Moa's case study illustrates coffee as a recent example, where the lower tier cities moved from drinking instant or filter coffee to drinking single origin almost overnight, skipping everything in between. Consumers may not appreciate why you go through the second and third waves to get to this point.

From a beer context you have consumers moving from what could literally be described as industrial lager straight to triple IPAs. It's pretty obvious that it's not going to be a great experience for the consumer.

Practically, what this means is that while you need a China strategy and a multi-year plan, don't expect it to last more than six months – and to be successful you need the capability to respond to change.



Large scale craft competition

The influx of large scale American 'craft' brands illustrates this need for adaptability in China.

The slowdown in the American domestic craft market is ramping up their international ambition. Goose Island, started in Chicago in 1988, and bought out by ABInBev in 2011, is now one of the world's largest mainstream 'craft' brands.

As part of ABInBev's China push, they began brewing in market, and significantly undercutting other craft beer brands. There are even reports that in some cases they were giving away free beer to bars to get on to taps in Tier 1 cities.

This push has increased consumer awareness of new styles across China. However, given the relative immaturity of the consumers' understanding of what craft is, the effect has been margins being squeezed across the craft sector as consumers' expectation around pricing has shifted. This severely impacted craft brewers in Tier 1 cities and resulted in at least one New Zealand brand we spoke to having to withdraw from China.

As Moa illustrates, Tier 2 and 3 cities offer the greatest opportunity to New Zealand craft brewers looking at China as they have less large scale competition and you could build a tap house for one-tenth the cost of one in Shanghai.

Entry strategy

It is essential to have a specialist to work alongside in market — someone on the ground helping you navigate the market and navigate CIQ (see glossary).

Don't be arrogant or ignorant of the market. Before you go, have your labelling translated to Chinese, know what your China story is, and know how your brand translates.

US-China trade war

A short-term benefit of the US and Chinese trade war is a 25% tariff on, among other things, US imported craft beer, making New Zealand products more price competitive and helping brewers already in market. The longevity of this is obviously uncertain.

Another effect of this has been Chinese distributors who were stocking only American craft brands looking to diversify and approaching a number of New Zealand brewers we spoke to.

Hong Kong

More than half of the breweries we spoke to listed Hong Kong as a market they were planning on, or interested in, exporting to.

Superficially, Hong Kong should be a hot opportunity. A relatively immature craft beer market, high wealth, manageable size, English speaking, expats - why wouldn't you go there? But in fact Hong Kong is a great example of why it's important to scratch under the surface and test your assumptions.

The number of craft breweries brewing in Hong Kong has risen from two to 38 in the past four years. A wide range of brewing ability and therefore quality exists in the Hong Kong market. A number of local breweries are managed by experienced expats who generally brew top quality beer. Then there are the local brewers, whose quality varies significantly.

It's incredibly competitive to get the attention of established distributors, as they are being bombarded internationally and from the mainland. With all of this competition, pressure on pricing is high, and per capita demand is actually relatively low.

How do we know this? Because other Kiwi brewers we spoke to have been there and tested a whole lot of assumptions they had about the market.

The Hong Kong consumer is said to be very price sensitive and the big players are dumping their beer for market share - it's cheaper than Coca-Cola. If you have a high cost for logistics storage (which you will in Hong Kong), it's very, very hard to compete.

The total size of the market for beer in Hong Kong is increasing, particularly being driven by more female consumers. However, they are predominantly looking for flavoured beers - a lot of which is coming from Japan. And when we say flavoured, we don't mean the tropical notes of a Hazy - more like peach juice mixed with beer.

Within craft specifically, there is a strong localism movement. Geographically it's a small place with a lot of brewers - somewhat akin to Wellington perhaps. Consumers are seeking out fresh local brews, although both brewers we spoke to and other commentary say you can definitely taste the difference between Hong Kong and Wellington brews.



Typical selection of beer in Hong Kong.

United States

Considered the home of the craft brewing renaissance, the US now boasts 7000 craft breweries for its 325 million people. That works out roughly to one brewery per 46,000 people, which is considerably less than New Zealand where we have one brewery per 16,000. This alone can make it seem like an attractive market.

The advice on the US market in this report is short - because we strongly believe that the opportunities are very limited for any independent craft breweries in New Zealand with their current capabilities. Very successful Kiwi craft breweries have made serious attempts at entering the US market, and found out just how hard it is. They've now pulled out entirely.

The biggest issues you are coming up against are:

The three tier structure - set up after prohibition, this requires that the tiers of importer, distributor and retailer are separate entities. You cannot sell direct to anyone except the importer. Ultimately this means your ticket is getting clipped three times before it reaches the consumer.

Cost of material - you're trying to sell beer in to a market where they can buy grain for half the price, glass for a quarter of the price, and they're not shipping it across an ocean.

Extreme competition - the US is an extremely competitive market focused on localism and freshness.

There would appear to be far better opportunities closer to home, but if you are seriously looking at the US, here's a bit of advice from those who have gone before:

Partner selection is essential - importer, distributor and in-market rep. It is easy to lose control and die on the shelves if poorly selected. You may find more success with a smaller distributor instead of getting lost with one of the big players.

Focus - at the smallest possible geographic area that is feasible. This should be down to a city, even neighbourhood level.

Channel strategy - key to success and needs to be clearly articulated and highly focused.



Wherever you end up going, you're going to need to make sure you're compliant with regulation. Would you believe it, we have a guide for that too - Understanding your International Compliance Requirements: goo.gl/whuD8H



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We have a rule - we get in the market and understand it before we even consider shipping to it.

.....
TOM GREALLY, CEO, GARAGE PROJECT



Testing your assumptions and getting to know the market

When entering a market, you're always going to have to make some assumptions. Historically, brewers haven't been the best at identifying and testing these assumptions efficiently and effectively. One of the best examples would be how multiple New Zealand cideries have tried to enter the US market using 500ml bottles – a product that the market neither has nor wants. Sending container loads of 500ml bottles to market probably wasn't the most cost-effective way to test the assumption that the format would work.

We can't reiterate enough how important it is to get into market and test your assumptions. If you don't want to spend the money to do that, you really need to ask if this market is right for you, and whether it's worth your effort. The most successful exporting craft brewers we spoke to have longstanding business rules about getting into a market and understanding it.

When you are in-market, make the most of your time there. Some breweries we spoke to are beginning to stop doing the 'meet the brewer' type events – they're an incredibly resource intensive exercise with minimal reach. Meet the industry, visit bars, and see where your product will stand out. This is how the most successful craft exporters have found the insights that have enabled them to build successful strategies.

As many breweries have learnt before you, if you don't know the market, you're not going to be able to think through the pain points that you're going to encounter.



In 2014 Yeastie Boys had an inkling that the UK market was going to be years behind New Zealand and that that might present a big opportunity – so they went up there, got stuck in and validated that. Then they upped sticks and moved there.

When ParrotDog decided to move to cans it was because they had a really good look at the Australian market and spoke to a number of distributors. Now not only are they shipping much more efficiently, they're selling like hot cakes.

Knowing your customer – from Better by Design

The world's leading businesses have one thing in common: they put their customers at the heart of everything they do.

Being a customer-centred business means you'll create more desirable products and services, a more passionate customer base, and a company culture that attracts amazing people and delivers incredible results. That all adds up to faster growth and a major competitive advantage.

Whatever industry you're in, it's critical that you start with your customer and not the solution you want to sell to them. Conventional market research approaches (including qualitative analysis and surveys, and quantitative number-crunching) can get you part of the way. These methods are great for uncovering the 'how' of customer behaviour – how customers use a given product, where they purchase from and how much they buy – but they're not quite the full story.

Customer-centred businesses go deeper into the customer's world and combine the 'how' with the 'why' by using an approach called design ethnography. This involves digging down into

behaviours, thoughts, emotions, beliefs and feelings – the stuff that makes your customers who they are – and using that information to design every part of your offering around what they want and need.

NZTE's Better by Design service works with our customers who are very mature in their export journey and experience. The service uses design ethnography skills and customer-centred thinking to build world class businesses. By identifying your audience, spending time with them in-market, and immersing yourself in their world, you'll gather rich insights on how they interact with your product and others, prove the validity of your assumptions, and unlock new business opportunities.

There's nothing like being there in person, but going into market regularly isn't always an option when you have a business to run and beer to brew. If you want to connect with your customers on the other side of the world, with limited time and budget, it's worth looking at mobile ethnography (also known as in-context qualitative research). This involves using online platforms to connect with customers through their phones and smart devices.

Mobile ethnography platforms give you a window on customer experiences and behaviours, as documented by the customer themselves – including text, photos, and videos with date, time

and location data. And the real gold? It provides a view of tens or even hundreds of people's behaviours at the same time, quickly and cost-effectively.

Here's some starter tips on how to prepare for a mobile ethnography project:

- Define the project outline, market assumptions, and hypotheses you're going to test.
- Build a customer profile, so you've got a clear picture of who you need to target and recruit as a participant.
- Define questions for your participant profile.
- Make it worth their while. Recruiting can be tough – offer participants some value in return for their time and effort, whether it's cash, vouchers or product.
- Be creative. Put new concepts and ideas in front of your customers. Listen to what they say, and watch what they do. This could be a new product idea, brand development or even a flavour concept.
- Know the data you want to collect, and how you're going to use it to understand the bigger picture. This is where you'll spot emerging patterns, test your assumptions, and find new opportunities to innovate.

There's a range of online platforms for mobile ethnography, so take the time to find one that works for your business and budget. Most will have online tutorials and demos, plus customer support teams who can guide you through the process and help figure out the best approach.

Finally, don't be afraid of a bit of trial and error. Rapid customer-centred design can become one of the most useful tools for your export journey.

Recommendation

If you're interested in taking a more customer-centred approach to how you innovate and grow your brewery, take a look at these websites to get you started – [ideou.com](https://www.ideou.com) and dschool.stanford.edu.

If you're an existing NZTE customer, talk to your customer manager about the different design service options available to you depending on your level of export experience.

Market-specific products

Developing a new product specifically for a market can be a successful strategy, but it can also be high risk if you don't test it out first. New product development can be incredibly expensive, so as much as you can, work with your contacts where you're exporting to ensure it's the right product for the market - and try and get a guarantee of purchase from your distributor.

In 2018 Moa developed a deer velvet wheat beer for China, and its entire production run sold out within days. They managed to bring together the Chinese appetite for deer velvet, the fact that New Zealand is known for making it, and China's affinity for wheat beers. It also fits really well into Moa's outdoor lifestyle and New Zealand focused branding.

A number of breweries are looking at what other products can be combined with beer, including Central Otago cherries, kiwifruit, kawakawa, and of course mānuka - although mānuka seems to drive one-off sales more than it does repeat ones.

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You have to get into a market and validate it there.

.....
GARETH HUGHES, GENERAL MANAGER,
MOA BREWING COMPANY

““

Not another pilsner!

.....
TODD NICOLSON, DIRECTOR OF BEER,
NEW ZEALAND BEER COLLECTIVE

““

We did six two-week trips to a single market to understand it before building a strategy for that market.

.....
JOSH TOWNSEND, CEO, ZEFFER CIDER CO

““

There's no point sending coal to Newcastle and if you're going to send a bottle of IPA to a maturing market like the UK, no one is going to get excited, no one is going to range it.

.....
TODD NICOLSON, DIRECTOR OF BEER,
NEW ZEALAND BEER COLLECTIVE

“

Are we idiots shipping beer? We're moving 90% water and glass around the earth.

.....
INDEPENDENT CRAFT BREWER

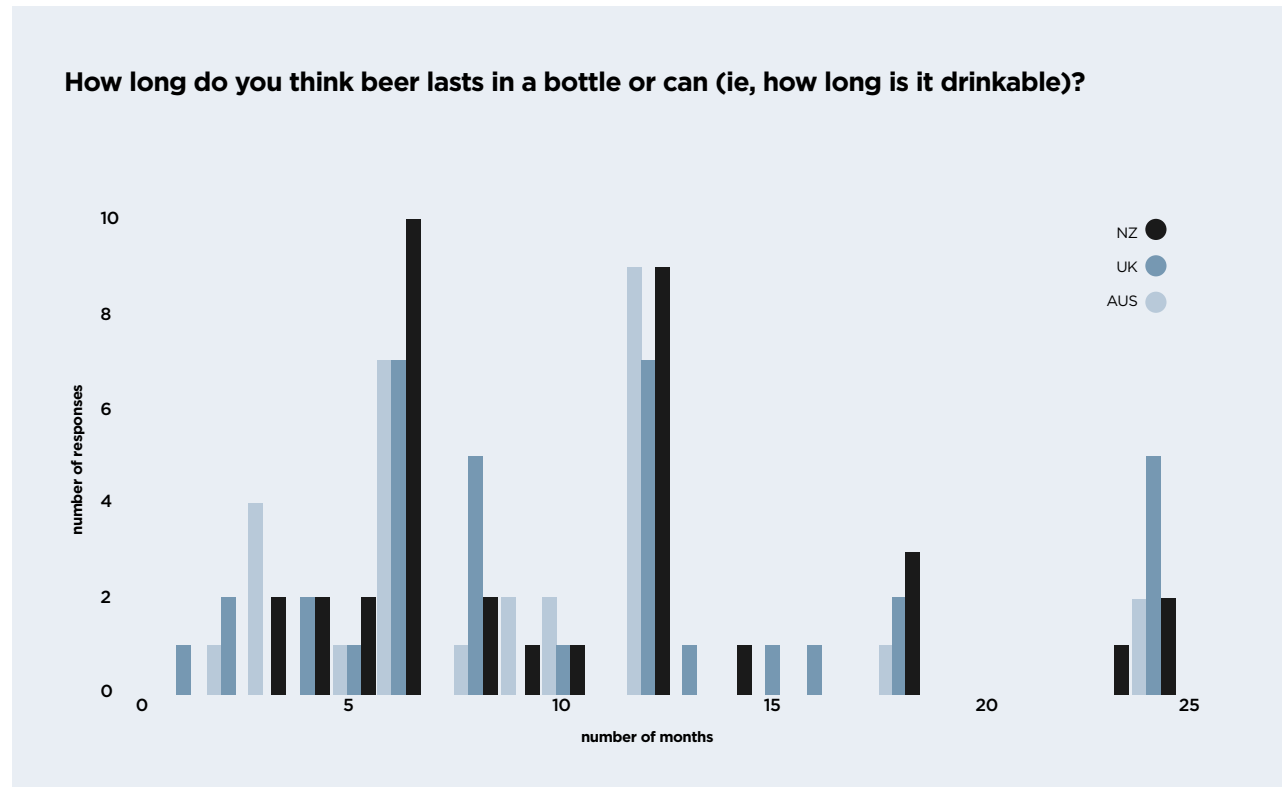


Getting your product to market

Craft beer, as with other perishable products, faces unique and difficult obstacles in their journey getting to market. Freshness, the importance of the cold chain and in-market brewing are all factors that need to be considered by craft brewers facing export.

As one brewer asked us - “are we idiots shipping beer? We’re moving 90% water and glass around the earth”. If you look at the large international breweries, Corona is the only major brand produced in one spot.

This section looks at different strategies for getting your product to market. For the purists among you, some of these may give you pause. For others, they will make complete sense. We’re not trying to suggest that one strategy is better than the other. We just want to recognise the spectrum of strategies among different craft breweries in New Zealand, and to outline the different options out there.



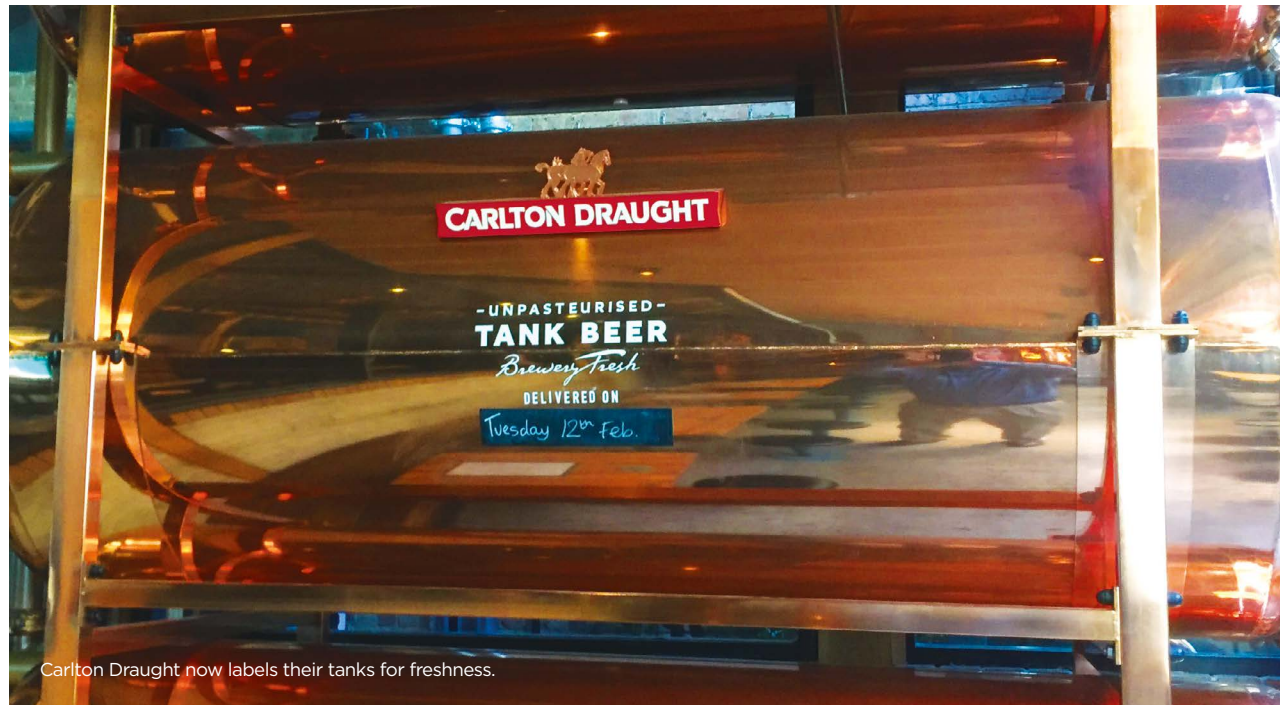
Freshness

When we say fresh, we're just talking about how old the beer is, not whether it's been kept cold, or unpasteurised.

Demand is growing for fresh beer as consumers around the world become more educated and experienced in their craft beer consumption. Case in point: when huge, traditional brands are dialling up how fresh their beer is by installing tanks and chalkboards, you know the demand for freshness is going mainstream.

When we looked at the steps that consumers go through during their purchasing decisions, for 8% of consumers, freshness was their first consideration, and for 11% it was their second consideration. Different brewers we spoke to have very different opinions on how much freshness matters to the average craft beer drinker, and whether they can even taste it. For 19% of self-described craft beer consumers to consider it as their first or second purchasing decision even surprised us.

Freshness poses more of a challenge for exporting Kiwi brewers than their global counterparts - labelled a "tyranny of distance" by one brewer. Shipping to our nearest neighbours, Australia can take between seven to 14 days while the UK can take two to three months.



Carlton Draught now labels their tanks for freshness.



You've got to know what its really going to cost to get your product overseas, so if you're not sure, check out [Understanding your Exporting Costs: \[goo.gl/5pH3Cg\]\(https://www.export.gov.uk/understanding-your-exporting-costs\)](https://www.export.gov.uk/understanding-your-exporting-costs)

Figuring our your pricing options can also be a challenge - if you need a hand with that check out [Understanding your Export Pricing Options: \[goo.gl/Y89Xuv\]\(https://www.export.gov.uk/understanding-your-export-pricing-options\)](https://www.export.gov.uk/understanding-your-export-pricing-options)

Product treatment and selection

Pasteurisation

Even the word pasteurisation is blasphemy for some craft brewers we spoke to, and for others a saviour. There is no argument against the extended life that pasteurisation gives to beer – after all, we are trying to export a highly perishable product from a small country at the bottom of the world. If export is going to be a large part of your business in the future – particularly to markets further afield than Australia – then pasteurisation along with choosing the right products should be a strong consideration in your export strategy.

Shipping the right products

We know hop-forward products are better consumed earlier rather than later – the hop-flavour characteristics diminish over time. Should your haziest IPA make the long journey to the UK? Probably not. Perhaps that malty amber ale or a barrel aged beer is actually a prime candidate for the export market.

Moving to cans instead of bottles will allow you to ship an extra 700 cases in a single container. Cans are also more likely to arrive in better shape.

Freight consolidation

A number of Kiwi breweries have found success in brewing and shipping smaller batches at a greater frequency by consolidating their shipping with other breweries or using specialist freight consolidation companies. It may cause you to grit your teeth being shipped alongside other brands but it will enable you to get your products into consumers' hands that crucial bit faster.

One of the major issues that Kiwi brewers face is that anything less than a container load (LCL), can't be shipped in a reefer out of New Zealand. This makes freight consolidation even more important.

Freight consolidation and brewing and shipping smaller batches enables you to be more flexible and responsive to in-market consumer demand. Instead of waiting to fill or clear a whole container, you can have your finger on the pulse of in-market consumer trends and be ready to brew and ship a type of beer that is in hot demand.

Consolidation is also a risk mitigation strategy whereby you are not relying on one single shipment in terms of revenue and moving a large amount of stock the other end. You would be surprised at how many brewers told us about how they shipped large amounts of stock to an overeager distributor, only

for it to sit idle in warehouses, and ultimately end up in a pretty bad state by the time it reaches a consumer.

Freight consolidation does require a bit more legwork in terms of finding suitable partners to share with and distributors. The UK-based New Zealand Beer Collective (NZBC) is a great case study of New Zealand breweries joining forces to tackle a market in a smarter, less risky, and more cost effective way, ensuring that beers are as close to their peak as possible when they reach the consumer.



For more information about logistics, check out the Export Essentials guide to Understanding your Logistics Options: goo.gl/UNe199



Case Study

Shipping Small and Frequent – Behemoth

With their distinct branding and a continually changing product portfolio, Behemoth is one of the fastest growing brands in grocery in New Zealand.

What sets this brewer's export strategy apart is how much they're focusing on frequent shipment of small batches.

Given the demand for the newest, freshest beers at the forefront of the craft scene, Behemoth has had to focus their export strategy around getting beers to market quickly, but with limited availability.

Smaller batches also ensures they're sold and consumed quickly, and the product reaches the craft drinker in the best state it can. This aligns with Behemoth's focus on keeping their beers cold from the brewery to someone's hands.

This has allowed Behemoth to lead with their new, limited release, high demand products to open doors, which they then follow with their core range.

Making this work logistically requires they go with distributors who take other New Zealand beers.

It has also been hugely important for Behemoth to build robust systems to facilitate this strategy, particularly so for allocating products and aligning shipping. If they don't have a purchase order, or in some cases a down payment, they won't allocate stock.

There are multiple approaches breweries can take to combat the tyranny of distance and land fresher products offshore:

1. Product treatment and selection
2. Freight consolidation
3. Cold chain vs. ambient

Photo: For their freshness styles, Behemoth prints the canning date on to the can.

Cold vs. ambient vs. brewing offshore

Cold chain vs. ambient

The cold chain vs. ambient debate is one that provides a polarised view between different industry players. We heard brewers say “[it] should always be cold chain otherwise the beer tastes like [rubbish]”, while others believe the realities of long haul shipping make an unbroken cold chain unrealistic.

We don't believe there is a clearly right or wrong answer here – especially given breweries produce different types of beers that naturally should be treated differently. But we have seen it's important to understand each of these different approaches.

Cold chain

Lagunitas, one of the top US craft breweries, demand a door to door cold chain with their in-market distributors before signing a deal.

Refrigerated containers (reefers) are an absolute must for most of the New Zealand craft brewers we spoke to. This is even in spite of the significant additional cost that is apportioned to this approach. In the absolute best case scenario (when you've got scale) you add about \$1 extra per case just to Australia. Then there are the additional logistical challenges when the cool container hits the land, keeping the beer chilled at each stage in the journey.

So why the additional effort and cost? Brewers will tell you it's all about freshness, the flavour and

extending lifespan. Cold chain advocates want to control all the variables they can – so they put their beer in a reefer when it leaves New Zealand. Why take the chance of having your product bake on a ship getting to market? However regardless of what you do the control is lost when the product arrives in market.

This is why it's important to understand the differences between the markets being shipped to. Take China for example. You can take all the pains in the world to ensure your beer arrives in market in a refrigerated state but then it faces a long journey in a market where the logistics system is simply not built for refrigerated shipping. Multiple brewers with experience in China have told us that you can almost guarantee the 'last mile' will be in the back of a very hot van.

You need to view your beer remaining cold the whole way into the hands of your consumers as a best case scenario – and not a certainty. Even in Australia – a market with a highly developed integrated cold chain – a lot of the distribution centres are ambient. Although, as one brewer said to us “having beer ambient for small parts of time is not the issue...the issue is the long periods of time unrefrigerated...you can't control everything so doing the best you can is sensible”.

Ambient

A number of more established New Zealand craft breweries are shipping their beers ambient. Generally these beers are pasteurised, but there are examples such as Australian craft brewers Stone and Wood who ship all their products ambient.

There is an emerging school of thought that consistency is the most important temperature factor in keeping craft beer in a good condition – that it's actually the large variances in temperature that can damage the quality of the beer.

Heat resistant containers and specifying where you want your container positioned on the ship (e.g. away from the boiler, below deck) can provide a consistent ambient alternative to the expense of shipping cold. Your product will get to market at a lower cost, and some say arrive in just as good condition.

This is a relatively new theory for craft beer, with the prevailing school of thought still being that it's the length of ambient time which spoils the beer, i.e. keep it cold for as long as you can.

Brewing offshore

We've had brewers saying that if they could do it again they would "grab a bag of recipes and go find a partner (in market)".

Others believe that "brewing in market is the future of the industry" and that "the future of New Zealand beer around the world is to brew in market and send the hops over there".

Nothing is going to get your beer in the hands of craft drinkers quicker than brewing where you're selling. It also means you can be much more agile in your ability to respond to changing trends and demands in the market. If you're trying to service the UK, and spot an opportunity for a new style, it's going to take you all up four to six months to get something new into a consumers hand, compared to only four to six weeks if you're brewing in market. You could say this means that if you are exporting out of NZ, you just have to be well ahead of the curve in your target markets.

Financially it can make a lot of sense – it's reasonable to expect to double your margin while retaining a similar price for your beer. You can realise significant cost reductions when you're no longer shipping 90% glass and water.

You're probably thinking 'if this is so good, why aren't more doing it?'. Well, it's actually very difficult. It's a high risk strategy that involves significant investment – both time and money. You need to commit to a market and understand what it takes to set up the business with regards to structure, capital, investment and regulation. It's almost guaranteed to take longer, and cost more than you expect. Have a read of our case study from Yeastie Boys.

If you go down the route of contract brewing in market, this comes with its own risks and challenges. At the first point, there are concerns around quality of ingredients. Are the hops and malt up to the standard that you're used to? Is that water as pure as what it is in New Zealand? Can you guarantee that your recipes are being followed to the letter?



If you're precious about freshness and cold chain, export might not be right for you.

.....
ANONYMOUS BREWER



Case Study

Yeastie Boys and their decision to brew offshore

As part of the second wave of craft beer in New Zealand, Yeastie Boys saw strong pull demand for their beers and were sending it to markets all over the world. At that time, countries around the world either had a lot of breweries but not many modern ones, or no craft scene at all.

Yeastie Boys had been asked to send beer to UK distributors for three to four years before they finally made their first shipment in 2014. In each country they entered they noticed a recurring trend – you would get a year or two of great sales, then they'd start slowing as locals started making it. Locals can produce fresher beer at lower cost, and have people in market to push it.

Like other markets, the UK at the time was a few years behind New Zealand – which meant to an extent the Boys could see into the future. They knew from past experiences that if they were to compete long term they would need to brew in market to produce fresher, cheaper beer.

It was this realisation that built the impetus to move swiftly into the UK market and take a different approach.

In 2014 the Boys also accepted an invite to an international beer festival to collaborate with Adnams Brewery from Suffolk. This helped them to find a long term contract brewing partner, which initially was with renowned BrewDog.

Crucially, brewing in market enabled them to be nimble enough to grow fast while being able to swiftly respond to changing trends. When you're brewing beer in New Zealand to serve the UK, realistically it takes four to six months from when you make the call on a new product to it being in a consumer's hand. With that kind of lag, unless you're the one leading the market, you're always playing catch-up. Brewing in market means Yeastie Boys can respond in four to six weeks.

Despite now effectively being a local brewer in the UK, on tap Yeastie Boys' products are selling for £7 in mainstream bars which is significantly higher than the UK average of £4. They expect the value of their UK sales to reach 20x New Zealand by the end of the year.

However it wasn't all roses. Brewing in market meant dealing with HMRC (the UK excise department) and a huge amount of compliance. Compliance alone was about 20 hours a week for six months.

As a brewer said to us, "The future of New Zealand beer around the world is to brew in market, send the hops over there. Sending containers of beer around the world has limited scope and time frame – or potentially both."





Moving your product in-market

Picking the wrong distributor

Picking the wrong distributor in a market seems to be a mistake nearly everyone makes at some point.

In some countries like the US, because of local laws, unwinding a importer or distributor agreement can literally be a nightmare – it will cost the earth and take eternity. We spoke to an importer in the UK who knew almost straight away that they had made a mistake with the distributor they had chosen, but it still took six months to unwind it.

A classic mistake made by breweries is often picking distributors based on existing relationships – don't assume that because they sell alcohol they can sell craft beer.

Let's look at how you can avoid the same mistakes.

Picking the right distributor

Product knowledge. Craft beer attracts people who love the product, and knowing craft beer well should be a prerequisite to being a distributor. However it does mean that some of the most passionate distributors are in reality craft beer geeks with a network of friends running bars.

Range. Find the right size range for your brand. A large FMCG distributor will have better access into retailers, but they're also going to have an enormously long list of beers – where if you're unlucky enough to have a name that starts with X, Y or Z, you'll end up at the bottom of the list, as Yeastie Boys surely know. A smaller distributor won't be as slick an operation, but your beer will stand out.

Channel. Consider finding a distributor that is going to get you into a channel where your beer will stand out. If you can find someone who will push you into restaurants where your beer is only competing against three or four others, the rotation times will be a lot longer.

Validation. Whatever a distributor says, ask them to prove it. Ask them for references, call those references and check. It's a big red flag if they're not willing to provide you with references.

Working alongside a distributor

To get the most of your relationship you need to work alongside your distributor. One of the best ways to ensure a successful relationship is to start with a Memorandum of Understanding (MOU). In this, capture the intent of your relationship and what you're hoping to achieve together – otherwise this will get lost in the legalese of the final agreement.

Give the distributor a reason to sell your beer rather than just shipping to them. Work with them to hone your story and what makes you stand out in the market. Part of this is agreeing with them on how you will get access to insights about your customer. If they aren't sharing information with you, you're operating blind and the experiences of others has shown that that won't be a sustainable relationship.

In some markets, particularly in Asia where personal connections are key, visit and meet them.

In the event that your relationship turns sour, ensure you have robust break clauses in your agreement.



Guess what, we even have a guide for this – Understanding your Channel Partner Options, which you can find here: goo.gl/gcqThd

Getting people to buy your beer

There's really only two ways your beer is going to get into the thirsty hands of your offshore consumers - either you're going to have to push it on-prem, or it's going to sell itself. Either way - you need to decide on a strategy and follow it.

Pushing it on-premise

The tried and true approach to selling beer in New Zealand is building a strong brand through on-prem sales, then pushing into retail.

Unsurprisingly, that works overseas as well - you only need to look at Garage Project in Melbourne. Building that strong local brand means that when you go and knock on Dan Murphy's door you're no longer an unproven risk and you're probably going to be able to deliver sustainable sales.

Making that work requires an almost singular focus on a market, which is should probably be as small as one city, a plan, and boots on the ground who love and want to push your brand - and that's an investment that 90% of the New Zealand craft industry can't afford. So what's the alternative? Selling itself.

Selling Itself

No Kiwi craft brewer has the marketing resources to compete with the big players in a market - so how do you sell your product?

This approach is not just shipping your beer over and hoping that people grab it off the shelves. It's about finding a value proposition - a story - that resonates with craft beer drinkers. Hammering it home: being a premium craft beer from New Zealand is probably not going to be good enough anymore.

A key part of this is understanding how the design of your product fits with your target market. Results from our survey suggest that a design that really stands out is a key factor in trying a new beer (second only behind a recommendation from a friend).

The brewers we spoke to that have nailed this have gotten in-market and seen where the gap for their brand is. If you are sending test pallets, go with them and don't ever underestimate the value of over-the-bar chat with people who are trying your product. Test things to see what resonates.

If you end up moving your product through a distributor you need to be thinking about what it is that's going to enable them to move your beer. Two things that shouldn't be overlooked in achieving this are awards and collaborations (collabs).



We thought we were one of the only producers exporting new-age, innovative, craft cider and that this would be a strong selling point. We were naïve - the competition in many international markets is as fierce as it is in New Zealand and there are great products everywhere.

You need to do more than think you have a better product, you need to build a brand from the ground up - like you do in New Zealand.

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PARLEY REYNOLDS - ASIA MARKET MANAGER,
MOA REGARDING THE MOA WINEMAKER SERIES



In our survey of craft beer consumers, 30% of consumers in Australia listed beer festivals as a key way that they find new beers

(source: NZTE consumer research).



23% of New Zealand craft beer drinkers said awards are a key influence in their decision when looking for new craft beers

(source: NZTE consumer research).



Compared to New Zealand and Australian drinkers, British crafties aren't as influenced by awards or events in discovering new beers (source: NZTE consumer research).

Awards and events

Winning reputable awards can be a path onto retail shelves – that was at least the case for two craft brewers in winning large Australian supermarket contracts.

A word from the wise though: they will open doors, but don't count on them to necessarily boost sales. Our consumer research shows that awards were the least important factor for craft beer drinkers when it came to trying new beers.

If you're going to go after an award, pick ones that are the gold standard in the market you're targeting. See appendix two for a list of some of the key awards in a few markets.

Events can be a cost effective way to build brand love in a small geographic area – beer is all about the experience after all. Apparently beer drinkers are more likely to give higher ratings on Untappd when they are at festivals.

International collabs

Collabs with international breweries have proven to be a powerful strategy for breweries that have pulled them off – be it BBC with Ninkasi Brewing Co, Garage Project and Sierra Nevada, or Yeastie Boys with BrewDog, which got Tesco's attention.

Not only do collabs give you another brand to leverage alongside your own, they can give you credibility and build brand equity within the home market of your partner.

Perhaps even more importantly, collabs present an opportunity to stand on the shoulders of giants – to learn but to also peer ahead and see how styles are developing.



Leading with really high-end products can get you in doors by telling a strong brand story – they're not necessarily about selling high volume.

PARLEY REYNOLDS, ASIA MARKET MANAGER,
MOA REGARDING THE MOA WINEMAKER SERIES

Leveraging your brand equity

Having a valuable brand that crafties love gives you power – it enables you to filter approaches from distributors, and opens doors to retailers.

Before you can leverage your brand equity, you need to know how much you actually have – and it's easier to objectively measure than you might realise.

Trademarking. If you are looking at a potential export market, one of the first things to do is look at the trademark availability for your brand. If it's available, get it trademarked. There have been a number of examples where New Zealand breweries have been caught out by this. A prime example is Behemoth, where they had a trademark dispute in Australia and subsequently had to change their name to Chur Brewing.

Social media benchmarking. Benchmark yourselves against your peers on social media engagement across Facebook and Instagram through the platforms' insight tools. Also a great way to get a picture of who your consumer is.

Beer review sites. Compare your ratings and rankings on Untappd.com and Ratebeer.com.

This can be a key factor in trying a new beer for craft beer consumers, with our research showing 30% of UK beer drinkers saying this is a key factor in trying a new beer and 27% of Kiwis. Having two or three beers in the top 10 on Ratebeer.com has opened doors and created sustainable contracts for Yeastie Boys.

Search trends. Google Trends is a fantastic tool for understanding your relative popularity compared to other breweries. Use it to understand how much interest there is for your brand compared to your peers – and if you've got an advantage, leverage it when you're talking to the people you want to sell your beer to.

Having a strong domestic brand is a sign you might be ready for export, but it's not a guarantee of success. 99.9% of craft beer drinkers in a foreign market will have no idea who you are.

Recommendation

If you're keen to up your web game, search engine optimisation (SEO) is one of the first places to start – get people to your site. There's tonnes of free tools – just search for 'SEO basics'.

If you're an existing NZTE customer, talk to your customer manager about the different digital services available to you based on your need and export experience.

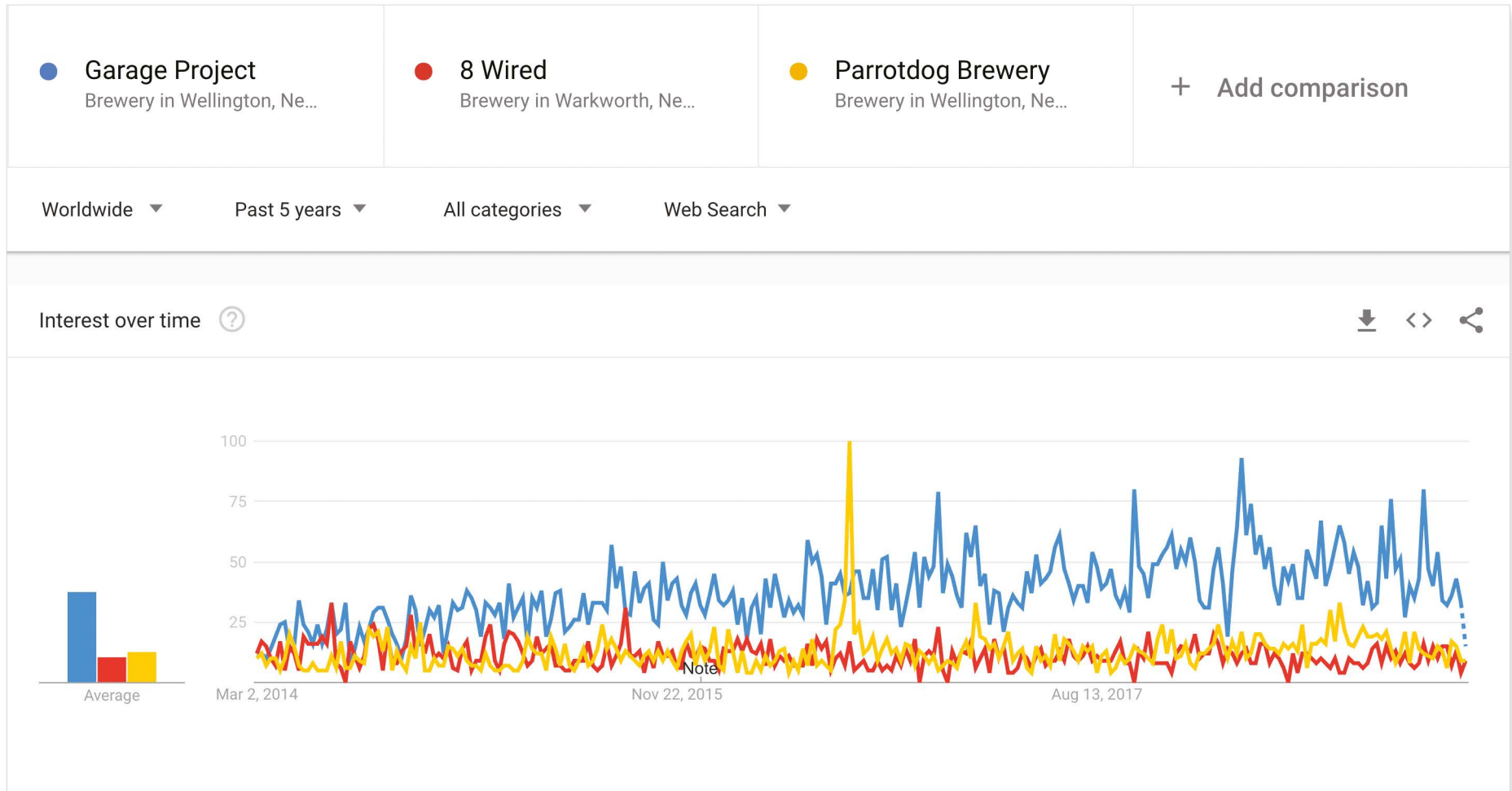


If I asked you right now what makes your brand truly different, could you tell me?

If you can't, check out our guide to Understanding your Value Proposition:

goo.gl/X8UPGm

Google Trends



Consumer research

When we were going through the results of the interviews with the 25 brewers, there were a few areas that we were keen to test out with consumers and dive deeper into. So we ran a survey to test some of these different assumptions. The survey was aimed at craft beer drinkers in three key markets: Australia, UK and New Zealand.

Survey methodology

Just a few technical things to cover off on the methodology.

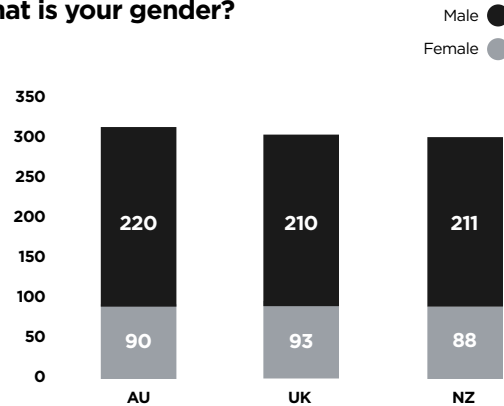
The 10 question survey was completed by 913 respondents in total (Australia - 310, UK - 303, New Zealand - 300) across a cross-section of craft beer drinkers. The charts below display the gender and age breakdowns.

The margin of error for each market is $\pm 5.7\%$ at a 95% confidence level. Any differences claimed in this research are only those that are statistically significant.

NB: the results of the survey were not weighted given that we don't have a market-by-market breakdown of the population representation of craft beer drinkers. In saying this, we did target specific cohorts of each market based on previous research on craft beer drinkers.

Demographics

What is your gender?



What is your age?

Age	AUS	UK	NZ	Total
18-24 years old	15%	15%	12%	14%
25-34 years old	42%	44%	48%	45%
35-44 years old	37%	39%	37%	38%
45-54 years old	5%	3%	3%	4%
Total	100%	100%	100%	100%

Craft beer definition

In deciding who we wanted to participate in the survey, we intentionally didn't provide a definition of craft beer. Thus, the participants in the survey are those who claim to drink craft beer. One: a universal definition doesn't exist. Two: we think it's much more valuable to understand what a self-professed 'craft beer' drinker believes craft beer to be.

We therefore asked an open-ended question to survey respondents: "How would you define craft beer?"

Each response was coded on the different themes that their answers related to. An individual response could relate to more than one theme (e.g. "I would define craft beer as being independent and beer which has a unique taste" includes both themes of independence and uniqueness).

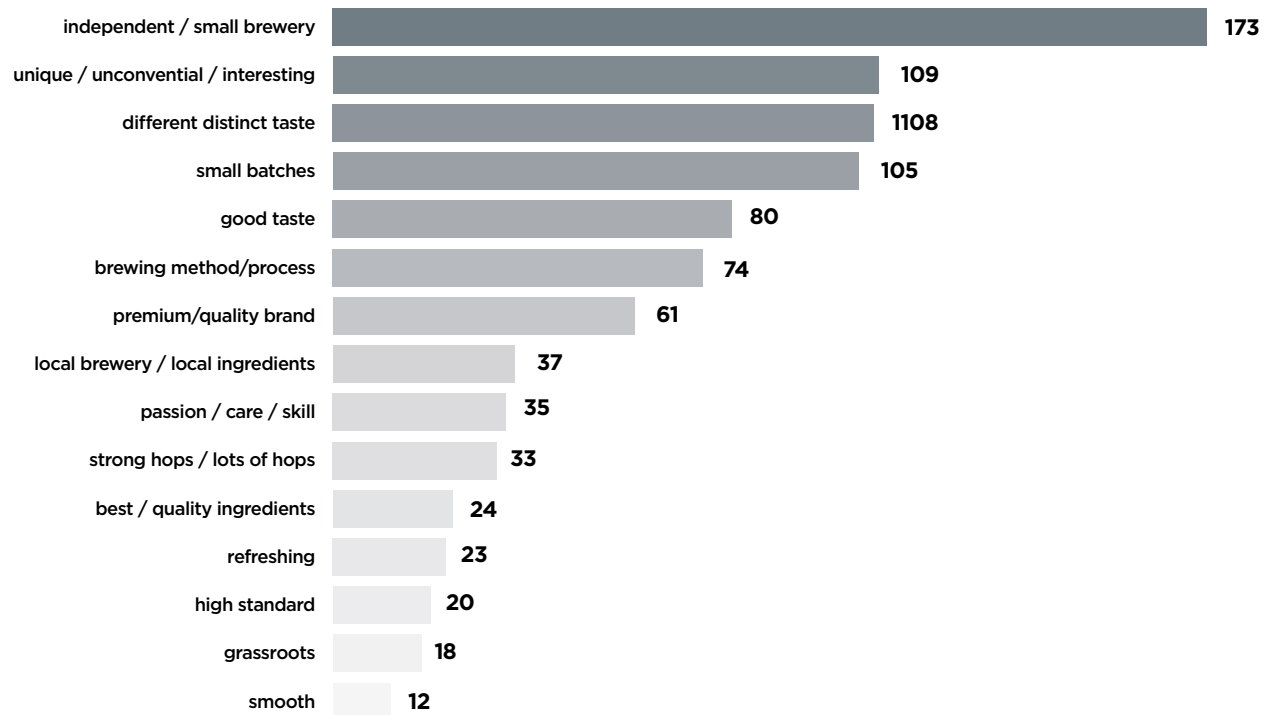
In terms of definitions, we didn't find any significant variations between the different countries on what they define craft beer to be, so the chart below is a sum of all three markets. The total number of analysable comments was 560.

The most common theme that drinkers used to describe craft beer was around breweries being independent or small, followed by being unique or different, making small batches, and good taste. Interestingly, price didn't come through at all in these definitions.

One of the most interesting findings was the difference in definitions between the older and younger groups. The 39-46 group was more likely to define craft by the method of production - e.g.

handcrafting during the brewing process. At the other end of the age spectrum, it's all about taste for 18-24 year olds, and uniqueness for the 32-38 year olds, while quality is the highest for 25-31 year olds.

How would you define craft beer? (560 comments)



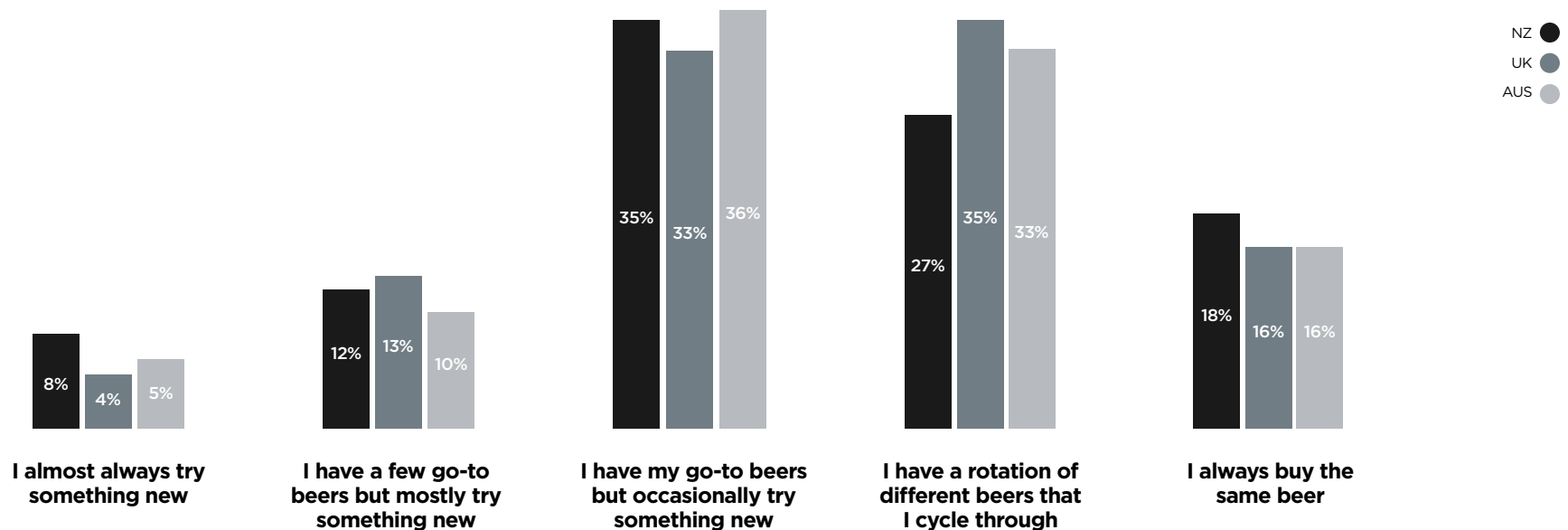
Consumer craftiness

One of the things we heard over and over in our discussions is that true craft drinkers will pretty much only purchase beers that they haven't tried before. Some craft breweries build their whole strategies around this perception. But how many actually act in this way?

According to our survey, only 6% 'almost always try something new', with Kiwis more likely than UK drinkers to do this. At the next level on the craftiness scale, 12% of craft drinkers do have their go-to beers but mostly buy something new. This means that around one in five self-professed craft beer drinkers are focused on trying something new.

Perhaps quite surprising to craft brewers will be that 17% of craft beer drinkers claim to always buy the same beer – almost triple the number of those who almost always try something new.

Most crafty ← ————— → Least crafty



Purchase frequency

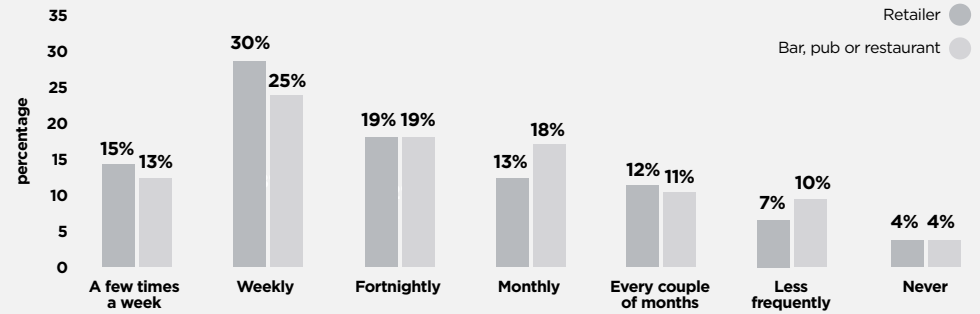
We were keen to get an understanding of drinking habits of consumers in different markets, particularly how often they drink craft beer. We asked them about both purchasing from retailers and on-premise (bar, pub or restaurant).

What did we find out? It turns out that UK craft beer drinkers are more frequent purchasers than their Australian and Kiwi counterparts. The UK has (unsurprisingly) a stronger bar culture, with the highest ratio of bar purchasing vs. retailer (weekly or more).

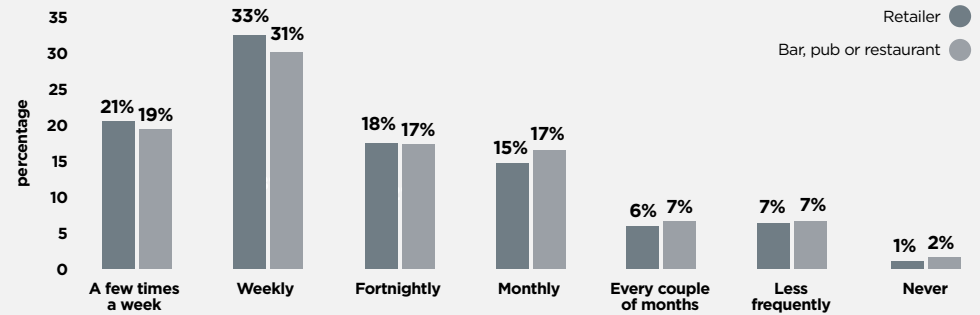
New Zealand craft beer drinkers have a more even distribution in how often they purchase craft beer, where as in Australia the UK drinkers are more like to purchase more frequently.

How often do you purchase craft beer from a retailer or pub?

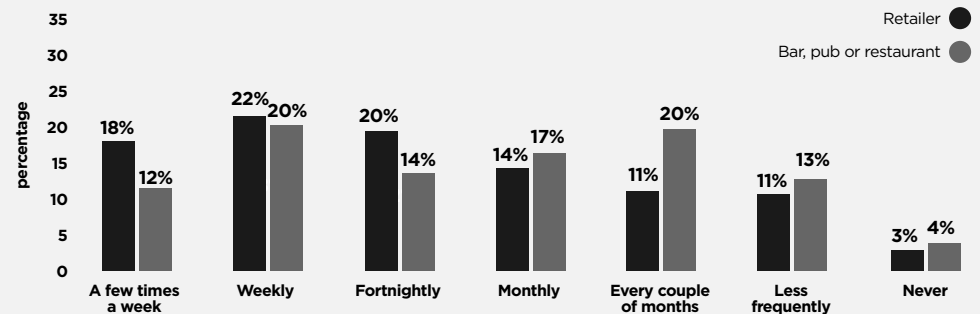
Australia - purchase frequency



UK - purchase frequency



NZ - purchase frequency



Country perception

We asked survey respondents in each country to rank their perception of the quality of craft beer in eight key craft beer-producing countries. In the chart below, you can see the top three countries selected by each market. Each figure is a sum of the respondents who selected that country as one of their top three rankings.

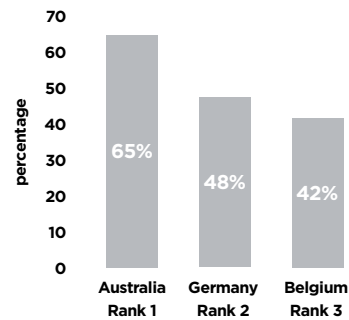
What is without doubt is that every country rates their beer above all others. This is particularly so in Australia where 65% of consumers rate them in the top three, distantly followed by Germany at 48% (17 percentage point difference).

The differences are not so stark in New Zealand and UK where naturally both rate their own country best but the gap with second place is a lot smaller. Germany ranks only six and five points respectively behind first place.

As mentioned earlier, another indication of the maturity of the New Zealand craft beer scene is that Australia has a higher perception of New Zealand craft beer compared to New Zealand's perception of Australian craft beer. Both countries however trail the European powerhouses of Germany and Belgium.

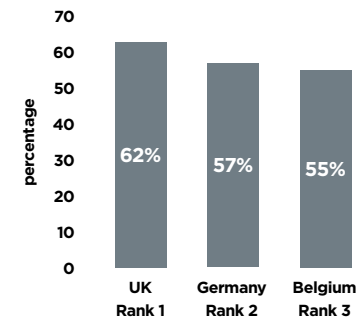
Craft beer is produced and exported all over the world. Which countries do you think brew the highest quality craft beer? Please rank these different countries based on your perception.

Top 3 rankings - Australian consumers



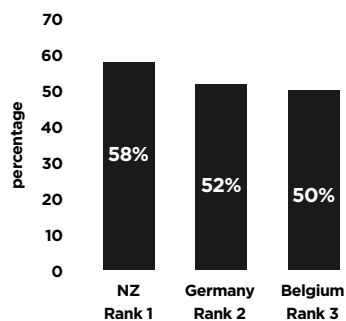
Australian perception of New Zealand craft beer: 33%

Top 3 rankings - UK consumers



UK perception: New Zealand: 18% / Aus: 22%

Top 3 rankings - New Zealand consumers



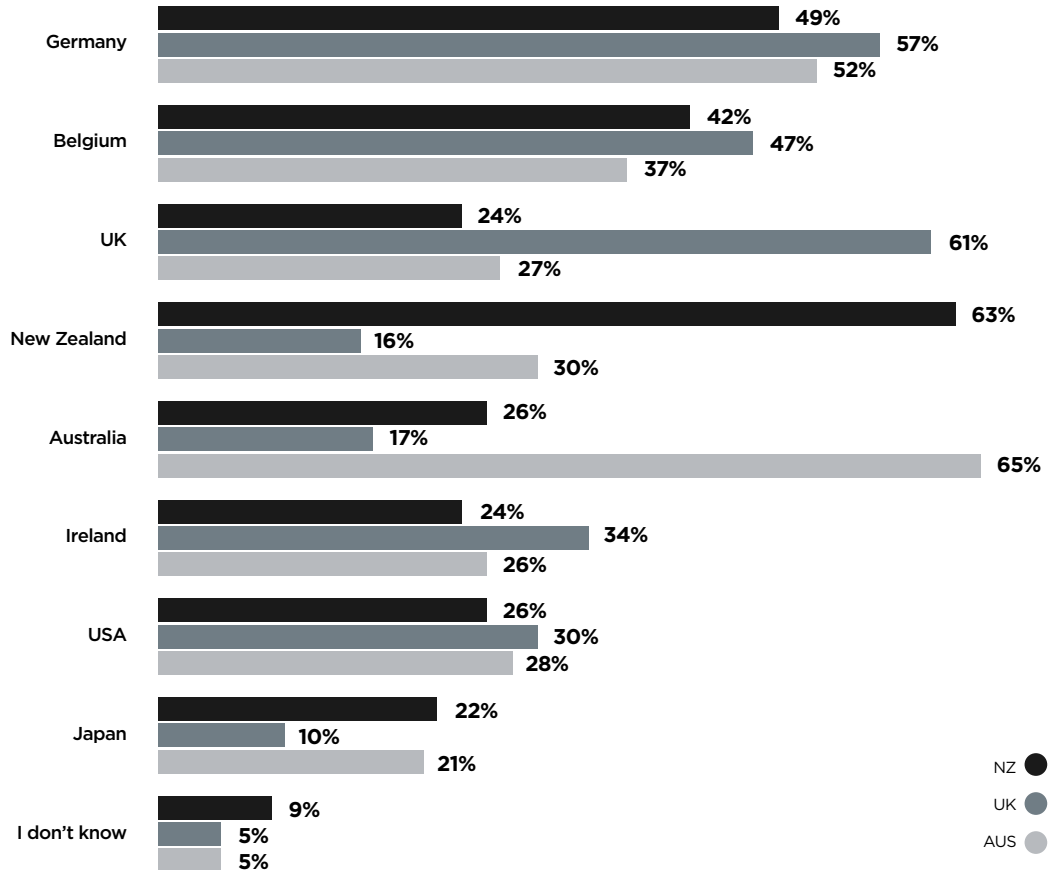
New Zealand perception of Australian craft beer - 25%

Perception of hops

Along similar lines to the question on beer quality, we also asked craft beer drinkers to identify which countries make quality hops. They answered similarly, rating their own country above all others in hops production, followed by Germany and then the rest of Europe.

New Zealand sits in the middle of the pack, at a similar level to both Australia and the UK. Both New Zealand and Australia rate each others' hops higher than the UK does.

Which of the following countries do you think make high quality hops?

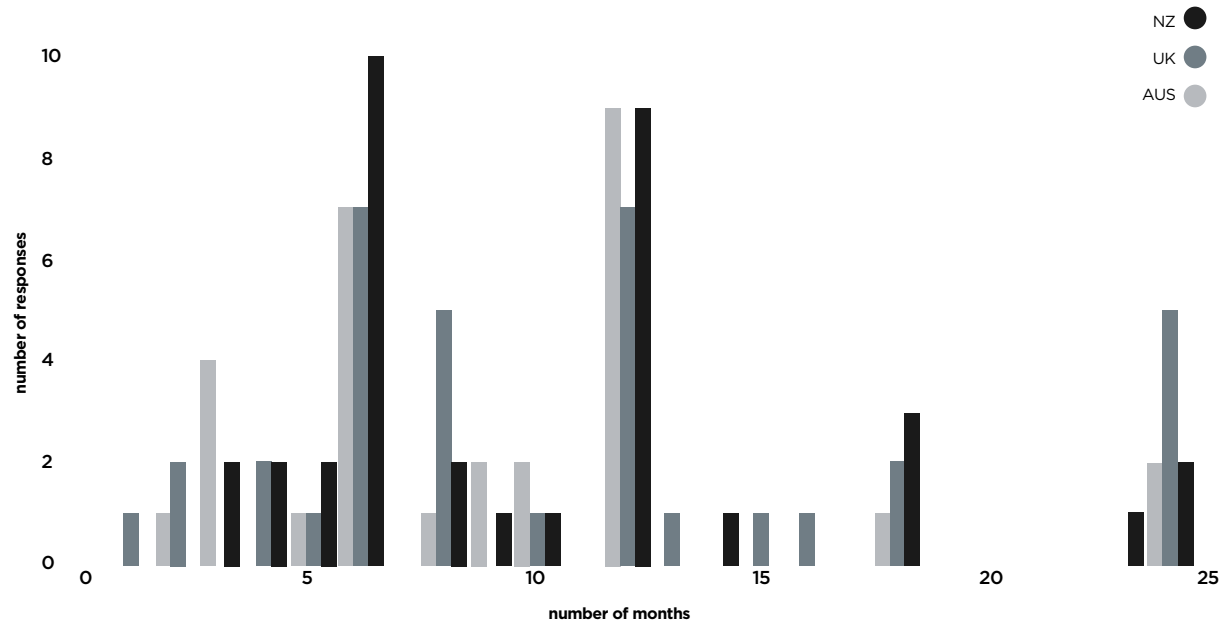


Consumption period

Something else that we were keen to test out with craft beer drinkers was how long they believed craft beer to be in good nick. Obviously there will be differences between different beer styles but we were keen to get an overall picture. We asked this to see whether consumers consider freshness to be as important as brewers do.

From our findings, there are two obvious spikes - at six months and twelve months, with a smaller spike at 24 months. Looking at differences between the markets, Kiwi drinkers seem to think that craft beer has a shorter shelf life - a median of six months, versus eight months for Australian drinkers and 12 months for UK drinkers.

**How long do you think that a beer lasts in a bottle or can (ie, how long is it drinkable)?
Please answer in number of months.**



Reasons to try a new beer

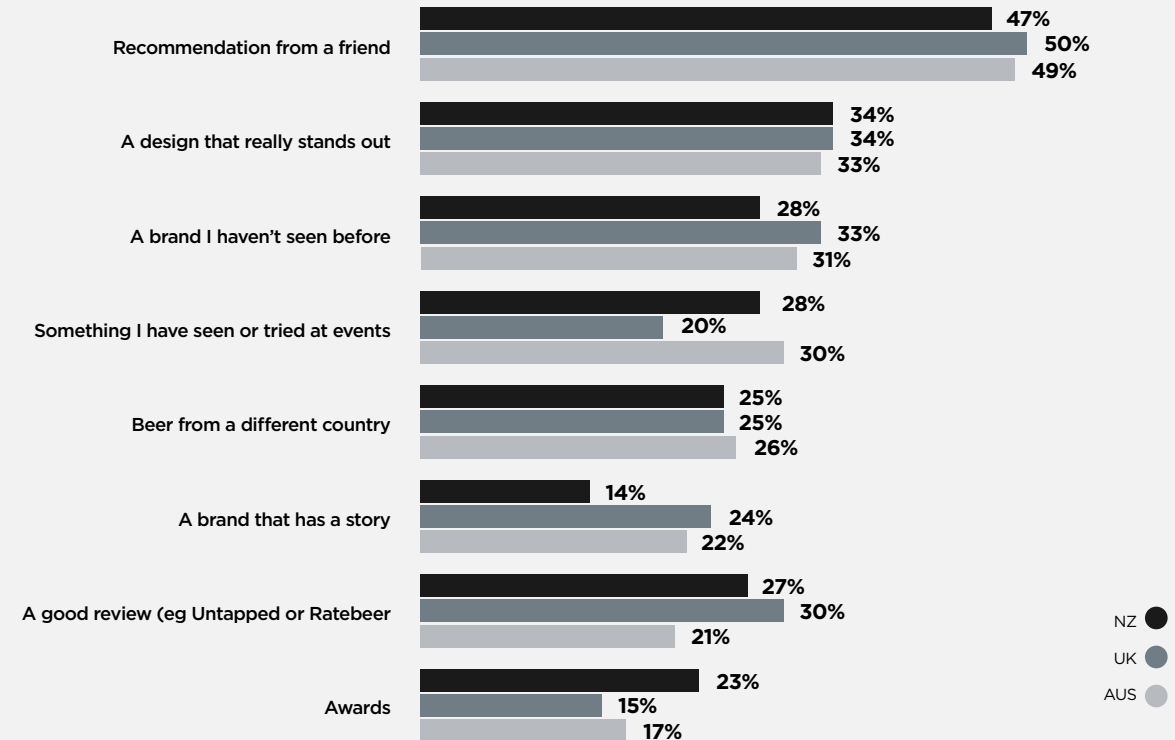
Another question we put forward to consumers was around the different factors that make them try a new beer. Results were relatively consistent between the three markets, with a few notable differences.

A word of mouth recommendation is by far the most likely to influence trying a new beer. The next few variables are a bit closer. A design that stands out is also important — as is a brand that they haven't seen before.

There are a number of differences between markets.

- Events are not as big a factor for UK craft drinkers.
- A good review is more of an influence for UK craft beer drinkers than in Australia.
- New Zealand craft drinkers are more likely to be swayed by awards than in the UK.

What makes you want to buy a beer that you haven't before?



Reasons for trying a new beer	AUS	UK	NZ
Recommendation from a friend	49%	50%	47%
A design that really stands out	33%	34%	34%
A brand I haven't seen before	31%	33%	28%
Something I have seen or tried at events	30%	20%	28%
Beer from a different country	26%	25%	25%
A brand that has a story	22%	24%	14%
A good review (e.g. Untapped or Ratebeer)	21%	30%	27%
Awards	17%	15%	23%

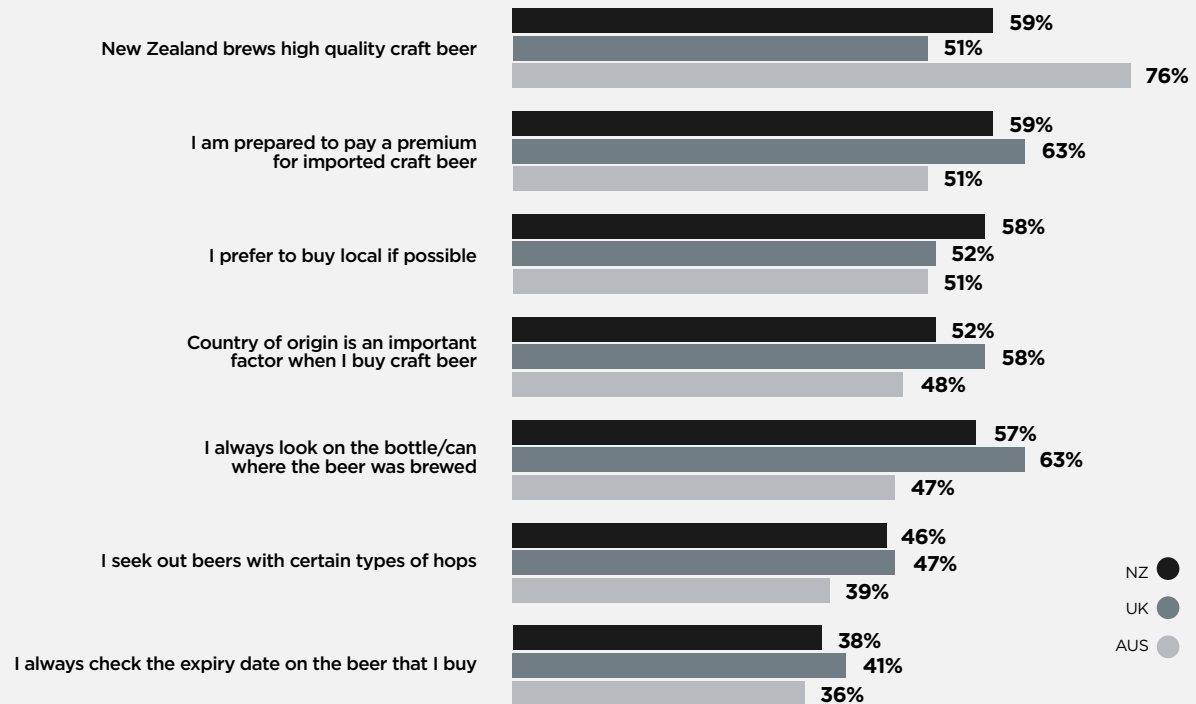
A few other interesting tidbits

We also asked craft drinkers about a few specific things that we had found in our earlier discussions with brewers. See the chart below for these different statements and the breakdown by the three markets.

Here's a few insights:

- Australia (59%) has a more positive perception than the UK (51%) of the quality of New Zealand beer.
- New Zealand craft beer drinkers are less likely to pay a premium for imported beer than UK drinkers.
- Australians have a greater preference to buy local if possible compared with the UK and New Zealand.
- Country of origin is more important for UK drinkers compared to New Zealand drinkers
- New Zealanders are less likely to look on the can to see where the beer was brewed and the types of hops that were used.
- Of all the different statements, checking the expiry date is the least important.

Statements (% who strongly agree + agree)



Strongly agree + agree	AUS	UK	NZ
New Zealand brews high quality craft beer	59%	51%	76%
I am prepared to pay a premium for imported craft beer	59%	63%	51%
I prefer to buy local if possible	58%	52%	51%
Country of origin is an important factor when I buy craft beer	52%	58%	48%
I always look on the bottle/can where the beer was brewed	57%	63%	47%
I seek out beers with certain types of hops	46%	47%	39%
I always check the expiry date on the beer that I buy	38%	41%	36%

Appendix 1

Key beer awards and events

Country	Name	Organizer
Australia	Australian International Beer Awards (AIBA)	The Royal Agricultural Society of Victoria
	The Indies / Independent Beer Awards Australia	Independent Brewers Association
	Sydney Royal Beer & Cider Show	The Royal Agricultural Society of NSW
	Perth Royal Beer Awards (Part of Perth Royal Food Awards)	The Royal Agricultural Society of WA
	BeerFest - Melbourne	Brewers Association
	BeerFest - Sydney	Brewers Association
	Sydney Beer Weeek Awards	Dave's Travel and Events Group
	GABS (Great Australian Beer Spectacular)	
United Kingdom	London Beer Competition	Beverage Trade Network (BTN)
	The Beer Awards	IWSC Group
	International Brewing & Cider Awards	Brewing Technology Services Ltd (BTS)
	HonestBrew Independent Beer Awards	Honest Brew
	Scottish Beer Awards	KDMedia
	SIBA (Society of Independent Brewers Awards)	SIB
China	China Beer Awards	
	China Craft Beer Awards	

Glossary

LCL

Less than a container load. Container loads that aren't at full capacity.

BJCP

Beer Judge Certification Programme.

A US-based, internationally regarded definition of beer styles.

Collabs

Collaboration brews with other breweries, domestic or abroad. Generally feature branding.

CIQ

China Inspection and Quarantine. An agency in China that is responsible for the management of import and export inspections, ensuring products comply with regulations.

Free taps

Taps in pubs that are not locked to a specific brewery or distributor.

Cold Chain

A temperature-controlled supply chain. An unbroken cold chain is an uninterrupted series of refrigerated production, storage and distribution activities.

Ambient

A logistics supply chain that is not temperature controlled, so products travel at ambient air temperature.

Tier 1 and 2 Cities in China

Tier 1 cities refers to Beijing, Shanghai, Guangzhou and Shenzhen. These are the megacities of China with GDP's in the trillion's of yuan and annual growth rates of 6%-7%, and a population of at least 30 million.

Tier 2 cities are roughly the next 20 largest cities like Chengdu, Chongqing, Nanning, Hangzhou and Xi'an. With individual GDPs of at least 0.5 trillion yuan, together they contribute more than 20% of China's GDP. They're growing much faster than the Tier one cities and receiving a lot of support from government. The population in most of the cities exceeds 10 million.



New Zealand Trade and Enterprise (NZTE) is the Government agency charged with a single purpose: growing companies internationally, bigger, better and faster, for the good of New Zealand.

We employ 600 people, have over 200 private sector partners and draw on a global network of thousands more. We have people based in 50 offices, working across 24 time zones and 40 languages to support New Zealand businesses in over 100 countries. Our global presence lets us deliver value to the businesses we support, through our unique know-how (knowledge and experience) and know-who (networks and connections).

Our know-how and know-who is expressed in our Māori name: Te Taurapa Tūhono. Te Taurapa is the stern post of a traditional Māori waka, which records valuable knowledge, and stabilises and

guides the craft forward. Tūhono represents connections to people and an ability to build relationships.

We provide customised services and support to ambitious businesses looking to go global. We help them build their capability, boost their global reach, connect to other businesses and invest in their growth. We also connect international investors with opportunities in New Zealand through a global network of investment advisors.

We call on our Government network and work closely with our NZ Inc partners and the business community, to grow our national brand and help businesses to open doors in global markets.

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